



2022
REPORT ON THE REMUNERATION
POLICY AND THE
REMUNERATION PAID



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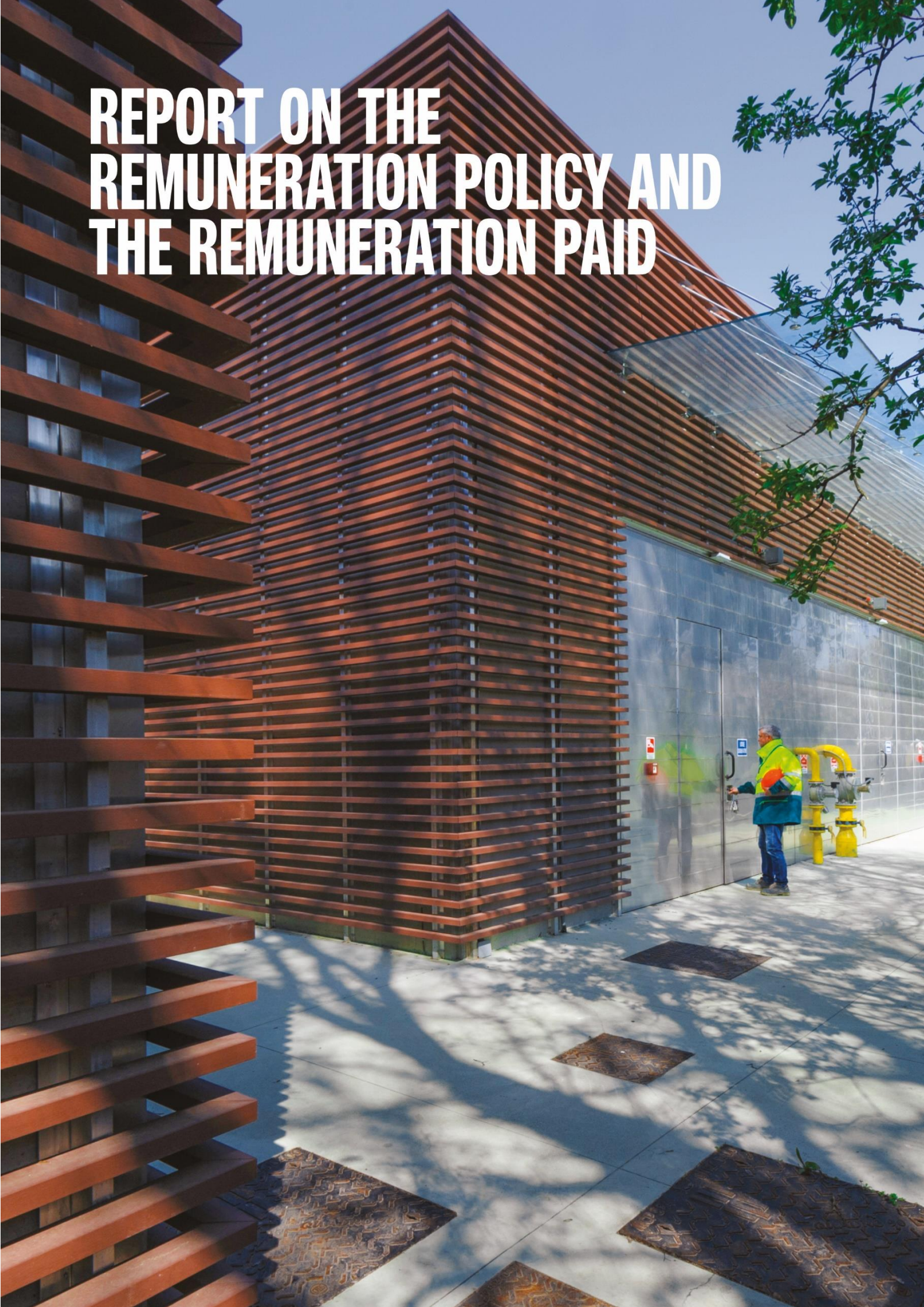
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REPORT ON THE REMUNERATION POLICY AND THE REMUNERATION PAID



EXECUTIVE SUMMARY

I. Aims, principles and governance of the Hera Group compensation policy

Aims and Principles

The remuneration policy adopted by Hera represents an indispensable instrument for supporting the Group's medium- and long-term strategies, conceived as a factor that contributes to improving corporate performance and the creation of value in the medium to long-term. In fact, the incentive capacity of the systems is ensured in accordance with the strategic objectives of the Group, with particular attention to the criteria of sustainable development.

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 success in the medium to long-term, through the consolidation of the link between reward and performance, of both individuals and the Group.

The guiding principles adopted for defining the remuneration policy for the top management are:

- calibrating remuneration to performance in a medium-long term perspective;
- constantly referencing 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 retention and sustainable cost management;
- paying attention to the internal consistency between the level of remuneration offered and the complexity of the position held, also taking into account employees' compensation and working conditions;
- using and constantly updating the methodology for evaluating offices, with the objective of guaranteeing standardised remuneration comparisons and analyses that are consistent with the development of the Group's organisational framework over time.

The Group's remuneration policies are defined in order to guarantee the following aims:

- increasing value for shareholders;
- achieving sustainable success in a stable way in the short and medium-long terms;
- retaining employees who hold positions that are strategic in terms of governance and business;
- pursuing the company's purpose, mission and values, including sustainability and equity.

II. Remuneration 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 into account the specific risk profile of the company as well as the desire to maintain a close alignment between the level of company and individual performance and remuneration by effectively incentivising commitment, professional growth and the adoption of behaviours deemed functional for achieving the Group's corporate objectives. The total remuneration contains a balanced mix of fixed components, variable components and benefits, with a focus on identifying the metrics deemed most effective to reflect the Group's long-term prospects.

The fundamental components of remuneration for Hera Group managers are:

Component	Aims and features	Application
Fixed compensation	Compensates technical, professional and managerial skills	Compensation position assessed on the basis of performance, experience, level of responsibility, and internal alignment with the evolution of the organisation as well as market benchmarking
Short-term variable remuneration	It encourages the achievement of strategic and financial objectives as well as the adoption of behaviours consistent with the company's leadership model	Assignment of individual objectives connected with the Group's balanced scorecard system for managers and executive directors
Deferred variable compensation for retaining managers	Retention measures for executive assets in strategic, high performance and high market-risk roles	Three-year reporting period. Bonus accrued in relation to Group results and evaluation of the individual development process.
Non-monetary benefits	An integral part of the remuneration package, these are primarily welfare and pension-related	Defined in accordance with industry standards and applicable company policies
Compensation	Severance payment to protect the interests of the Company	In the event of early termination or revocation of the director's appointment

The Hera Group's remuneration policies, in addition to defining guidelines and methods for remunerating management, also regulate the processes and tools to be applied to the rest of the workforce, uniformly across all areas of the organisation. More specifically, in this case as well, the Group policy is constantly compared to market levels in terms of both the fixed remuneration components and the variable components and benefits, and consequently the most suitable measures are adopted as part of a structured process aimed at rewarding the individual's contribution to creating added value, as well as guaranteeing fair and sustainable working conditions.

The remuneration components defined for management and their related purposes and characteristics are thus applied homogeneously to the entire company population, following a logic of full harmonisation and dissemination of the underlying principles, taking into account the working conditions of all employees and in full compliance with principles of equality among individual demographic characteristics (gender, age, geographical origin, etc.).

III. Pay for performance

During the year that has just ended, even in a context affected by both the pandemic and the outbreak of the conflict in Ukraine, the Group was able to ensure continuity in the services delivered and investments made, registering further growth and one of the highest increases in its almost 20-year history to date.

This performance is even more noteworthy considering that all portfolio businesses achieved positive results, with growth being driven by organic and sustainable development of the Group's liberalised businesses; indeed, these business areas have benefited from the growing demand for services associated with the pursuit of carbon neutrality, such as energy efficiency, and the circular economy, with the recovery of materials.

Earnings before interest, taxes, depreciation, and amortisation increased by 6.2%. During the year, the Group laid the foundations for growth in the years to come, thanks in part to the completion of a number of acquisitions that are expected to generate significant synergies with the Group's diversified platform of plants.

Equity strength was confirmed, with the ratio of net debt to EBITDA still below 3.3 at year-end, down from 3.62 in the third three-month period thanks to the gradual emptying of gas storage that had been filled to ensure the energy supply required for sales activities during the winter season. In addition, all planned investments were implemented, up from the previous year, as was the regular payment of dividends, 9% higher than in 2021.

These annual financial results exceeded the targets set for the 2022 financial year and exceeded the widely-held expectations of the financial analysts covering Hera stock. Such performance is all the more

impressive considering that it builds on the significant progress already made uninterruptedly since the Group's inception.

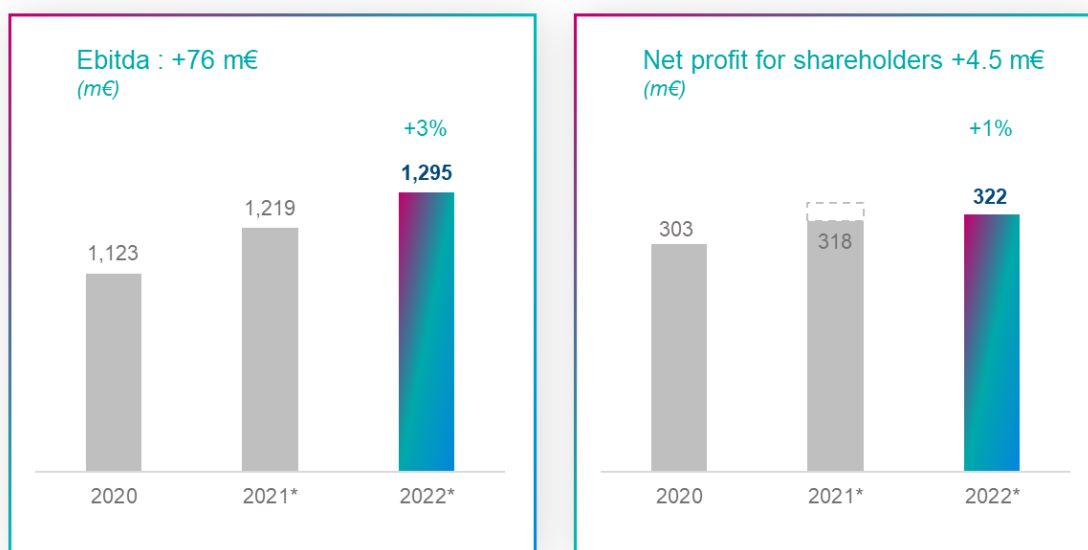
In 2022, the stock market suffered from strongly negative sentiment on rising interest rates, hitting the utility sector in particular, and also preventing Hera from matching its solid fundamentals in the share price. Furthermore, the year-end does not capitalise on the results achieved in the fourth three-month period (which are published with these financial statements), which were particularly solid and supported by the positive sales results of the Energy business. The performance of the Hera share, with a share price drop of 31.1%, was nevertheless higher than the average performance of its peers, with an outperformance of 300 basis points. The proposed dividend of 12.5 cents per share represents, compared to the share price achieved at 31 December, a yield of approximately 5%.

Despite the challenges posed by the external environment, the business model has shown strong resilience with progress in all areas of the profit and loss account up to the net profit, compared to the comparable figure of the previous year. These solid results exceeded the expectations of all analysts, who maintained a valuation of Hera's stock growth margin of 35.5%.

The set of results outlined here are also concrete evidence of the effectiveness of Hera's remuneration and incentive system, both short and long term, aimed at promoting management geared towards the achievement of targets aligned with the interests of shareholders and stakeholders.

The following graphs illustrate the main results for the last three years.

ECONOMIC GROWTH IN THE THREE-YEAR PERIOD (MN/EURO)



*Results normalised to take account of non-recurring accounting items

IV. Shareholder engagement activities

Investor relations is a significant activity in terms of engagement by the executive members of the Board of Directors, as they are directly engaged in cultivating relationships throughout the year through an institutional road show and direct participation in conferences organized by brokers, as well as individual meetings requested directly by investors.

The road show was held on the occasion of the presentation of the industrial plan leading up to 2025, and involved top management meeting around 35 investors in the main financial centres through to the end of February. Around 165 additional opportunities for dialogue were organized during the course of the year to update the financial community regarding the Group's performance.

In order to offer professional third-party opinions on the Group and its results, Hera's investor relator conducts, under the direct control of the Executive Chairman, constant monitoring of the analyses carried out by financial analysts and ESG specialists covering the Group so as to detect changes in attitudes and evolving best practices. Almost all financial analysts expressed a positive or neutral opinion at the end of the year, and almost all of the ESG analysts screened under the Group's policy showed an improvement in sustainability ratings; Particularly noteworthy is the confirmation of Hera's inclusion in the Dow Jones Sustainability Indexes, both World and Europe, as an "Industry leader" in the Multi-utility and Water sector, which groups together the global companies with the highest levels of environmental, social and governance criteria; the confirmation of first place for governance sustainability in the Integrated Governance Index curated by Etica News; the improvement of the Sustainalytics and Moody's ESG ratings, as well as the ranking among the world's top ten companies in the Refinitiv Diversity and Inclusion index.

INTRODUCTION

This document was drafted in compliance with the regulations of Article 5 of the Corporate Governance Code, adopted by Hera Spa via a resolution dated 11 November 2020, as well as article 123-ter of Legislative Decree no. 58/1998 (TUF), as modified by Legislative Decree no. 49/2019, implementing the Shareholder Rights Directive 2 (EU) 2017/828 (SHRD II for short), which requires listed companies to make publicly available a report on their remuneration policy and compensation paid, prepared on the basis of the provisions of 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”) and amended by Consob’s own resolution 21623 of 10 December 2020.

This report also provides evidence of the investments held by the members of the Board of Directors and the members of the Board of Statutory Auditors as well as spouses not legally separated and the minor children of such persons.

This report, approved by the Board of Directors on the proposal of the Remuneration Committee on 21 March 2023, defines and illustrates:

- in “Section I”, the policy adopted by Hera for the remuneration of top management, directors and the Board of Statutory Auditors, specifying how it contributes to the strategy and sustainable success of the Company, as well as identifying the bodies involved and the procedures adopted to define and implement the policy;
- in “Section II”, the compensation paid, outlined by name, pertaining to the financial year 2022 or paid or payable for results achieved in 2022, to the members of the management and control bodies.

To make this report easier to understand and facilitate the process of reading it, a brief glossary is provided below with some of the most frequently-used terms:

BSC (Balanced scorecard)	indicates the incentive system adopted by the Group, in which the short-term variable component of remuneration is linked to the achievement of predefined individual and corporate targets.
Group	indicates all the companies included in the Hera Spa scope of consolidation.
Deferred monetary incentive plan for management retention	indicates the incentive system adopted by the Group in which a variable component of deferred remuneration is linked to the achievement of predefined objectives for a selected number of managers.
AGR (Annual gross remuneration)	indicates the gross annual fixed component of remuneration for those who have an employee relationship with one of the Group companies.
ADR (Annual direct remuneration)	GAR + accrued annual portion of the deferred variable component received by those who have an employee relationship with one of the Group companies.
GAR (Global annual remuneration)	AGR+ annual variable component received by those who have an employee relationship with one of the Group companies.
Target GAR	AGR + theoretical maximum annual variable component that could be attained by those who have an employee relationship with one of the Group companies.
Top management	indicates the top figures of the Group: the Executive Chairman and the Chief Executive Officer.

SECTION I - REMUNERATION POLICY

1 Introduction

“Section I” of this report outlines the principles and basic characteristics of the remuneration policy as applied to the top figures of the Hera Group.

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.

In this regard, please note that the Shareholders’ Meeting of 28 April 2021 amended Hera’s Articles of Association by introducing the following mission: “The Company implements a business model with the objective of creating long-term value for its shareholders by creating shared value together with its stakeholders. For this purpose, the Company organises and carries out its business activities also in order to promote social equity and contribute to achieving carbon neutrality, the regeneration of resources and the resilience of the services system managed for the benefit of customers, the ecosystem of its territory and future generations” (Hera for the Planet, People and Prosperity).

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 the creation of sustainable success in the medium to long-term.

With a view to responsible reward, and in light of the recommendations contained in Article 5 of the Corporate Governance Code, the Board of Directors, with the support of the Remuneration Committee, has therefore defined the remuneration policy.

Pursuant to Article 123-ter of the TUF, as amended by Legislative Decree 49/2019, the Shareholders’ Meeting is called to resolve on this “Section I” of the report on the remuneration policy and compensation paid, and this resolution will be binding.

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 and supervisory bodies.

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 29 April 2020.

On 11 May 2022, the Board of Directors, following the resignation of Stefano Venier from all offices held in the Company, resolved to appoint in his place Orazio Iacono, who will be in office until the natural expiration of the administrative body's term, and therefore until the approval of the financial statements as of 31 December 2022.

Board of Directors

Name and Surname	Office held
Tomaso Tommasi di Vignano	Executive Chairman
Orazio Iacono	Chief Executive Officer
Gabriele Giacobazzi	Vice Chairman (independent)
Fabio Bacchilega	Director (independent)
Danilo Manfredi	Director (independent)
Alessandro Melcarne	Director (independent)
Lorenzo Minganti	Director (independent)
Monica Mondardini	Director (independent)
Erwin Paul Walter Rauhe	Director (independent)
Manuela Cecilia Rescazzi	Director (independent)
Paola Gina Maria Schwizer	Director (independent)
Federica Seganti	Director (independent)
Bruno Tani	Director (independent)
Alice Vatta	Director (independent)
Marina Vignola	Director (independent)

Board of Statutory Auditors

Name and Surname	Office held
Myriam Amato	Chairman
Antonio Gaiani	Standing Auditor
Marianna Girolomini	Standing Auditor
Stefano Gnocchi	Alternate Auditor
Valeria Bortolotti	Alternate Auditor

3 Governance Model

3.01 Remuneration policy definition, approval and possible revision process

The bodies and subjects involved in the preparation, approval and possible revision of the Hera Spa remuneration policy report, as well as the bodies or individuals responsible for the correct implementation of this policy, are summarized below:

Entity in charge	Responsibilities/Activities
Shareholders' Meeting	Binding resolution on the First Section of the report on remuneration policies and compensation paid. Non-binding resolution on the Second Section of the report on remuneration policies and compensation paid.
Board of Directors	Defines, examines and approves the remuneration policy for the directors and top management of the Group, following a proposal from the Remuneration Committee.
Remuneration Committee	Formulates proposals to the Board of Directors for the remuneration of the Executive Chairman, Vice Chairman and CEO, and periodically assesses the suitability and overall consistency of the policy for the remuneration of directors and top management.
Executive Chairman	Proposes the remuneration policies to the Remuneration Committee.
Personnel and Organisation Central Director	Supports the Remuneration Committee, in particular regarding technical aspects. Oversees the correct implementation of the remuneration 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 Executive Chairman, Vice Chairman, and CEO, as well as based on the suggestions put forward by the Executive Chairman, for the adoption of general remuneration criteria for managers.

Executive Directors do not participate in Remuneration Committee deliberations concerning the remuneration awarded to them.

The Committee, in addition, regularly evaluates the adequateness, overall consistency and concrete application of the general policy adopted for the remuneration of Executive Directors.

In the performance of its functions, the Committee has access to the information and business functions necessary for carrying out its duties, making use of an independent consultant if necessary.

This Committee, first established at the meeting of the Board of Directors of 4 November 2002 and last renewed in terms of its composition on 13 May 2020, is made up, in compliance with the provisions of the Corporate Governance Code, exclusively of independent non-executive directors (Monica Mondardini, Fabio Bacchilega and Alice Vatta), and chaired by an independent director (Gabriele Giacobazzi).

The remuneration Committee met three times in 2022: all the members took part in two of these meetings, while almost all of them took part in the remaining one.

Composition of the Remuneration Committee

Gabriele Giacobazzi (Chairman)	Majority list	3/3 meetings	3 meetings in 2022
Monica Mondardini	Majority list	2/3 meetings	
Fabio Bacchilega	Majority list	3/3 meetings	
Alice Vatta	Minority list	3/3 meetings	

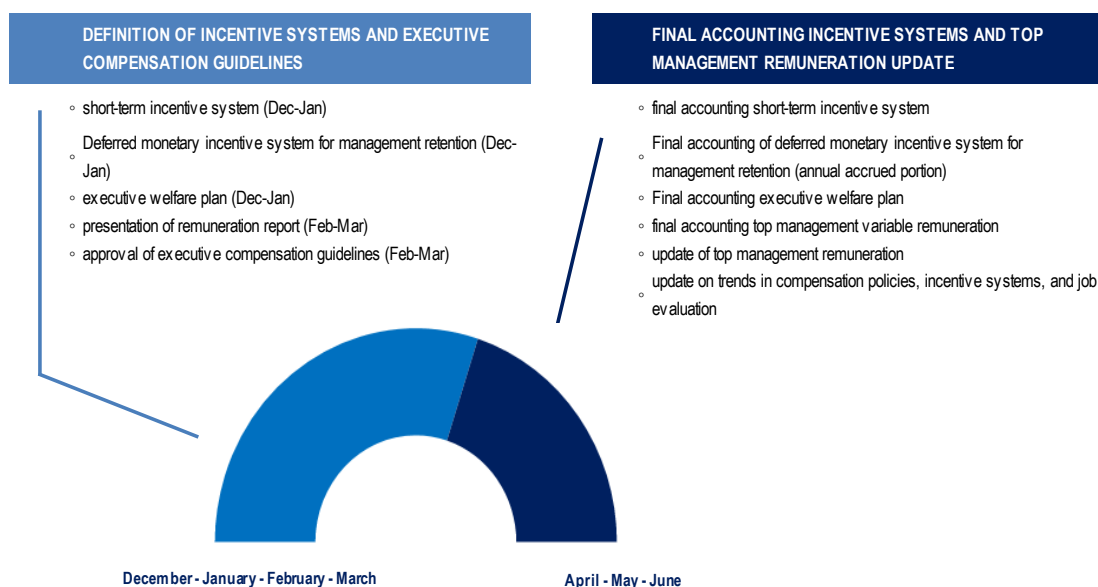
It should also be noted that the Board of Directors, when the Committee was last renewed, acknowledged that principle 6.P.3 of the Corporate Governance Code in force at the time had been complied with since at least one Committee member had appropriate knowledge and experience in financial or remuneration policy matters.

Upon the express invitation of the Chairman of the Remuneration Committee, the Chairman, the Chief Executive Officer and the Organisation and Personnel and Organisation General Manager of Hera Spa as well as the Development, Training, Organisation and Personnel Central Bodies Manager and the Shared Value and Sustainability Manager participated in the work of the Committee.

The meetings of the Remuneration Committee, all regularly recorded in the minutes, lasted, on average, one hour and thirty minutes.

3.02.01 Remuneration Committee cycle of activities

The activities of the Committee are carried out according to an annual schedule that includes the following phases:



3.02.02 Activities carried out and planned

During the meetings held in the 2022 financial year, all duly recorded in the minutes, the following subjects were discussed:

- BSC system and welfare plan for executives;
- executive management retention;
- 2021 variable short-term final accounting company objectives component;
- 2021 welfare plan final accounting;
- final accounting of long-term incentive plan for management - 2019/2021 three year period;
- final accounting 2021 variable remuneration - company top management;
- benchmarking the remuneration of top management positions: comparison with comparable multi-utility companies and positioning with respect to the "General Market Business Directors Italy 2021";
- 2022 remuneration guidelines and policies for directors and managers.
- human capital development policies - focus on gender and generations.
- evaluation of salary adjustment for the Executive Chairman and remuneration to be paid to the new Chief Executive Officer;

In addition, the Committee reported on the work carried out by the Board of Directors.

4 Hera Group remuneration policy

4.01 Aims and Fundamental Principles

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

The policy is defined in such a way as to align the interests of management with those of shareholders, pursuing the main goal of sustainable success in the medium to long-term period by consolidating the link between reward and performance, individuals and the Group.

The guiding principles adopted for defining the remuneration policy for the top management are:

- focusing on internal consistency between the level of remuneration offered and the complexity of the role performed;
- using and constantly updating the methodology for evaluating offices and the relative weight of each office, with the objective of guaranteeing standardised remuneration comparisons and analyses that are consistent with the development of the Group's organisational framework over time;
- constantly referencing the external market, for the reference sector as well, in order to check the consistency of the company's remuneration scheme, and its capacity to both attract talent and ensure retention;
- linking the short-term variable component of remuneration to the Group's strategic priorities through the adoption of the balanced scorecard model, focused on economic-financial objectives and drivers of shared value including climate change mitigation and adaptation policies and projects and the creation of a circular resource management model;
- balancing economic-financial indicators, financial solidity, and the creation of shared value in keeping with sustainable development objectives as defined by the United Nations with community standards of customer satisfaction in defining both short and medium-term variable incentive schemes;
- paying constant attention to specific retention measures for personnel in strategic and high market-risk roles in order to assure the pursuit of the Group's long-term objectives;
- maintaining consistency between the Company's risk profile and the executive compensation package mix;
- constant analytical monitoring of remuneration policies, in both the definition and application phases, in relation to gender equality indicators in order to ensure greater awareness of the true extent of this phenomenon and make sure the measures for managing it within the company are effective.

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 at the level of the Group as a whole.

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 the more risky free market business operations. 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 (risk-adverse approach) or risks of non-sustainability of the Group's results in the medium to long-term.

In relation to the Group's consistent growth in terms of business results, company and local area dimensions and the investment made over the years to ensure that valuable human resources are covering roles which are key for the development and sustainability of the corporate strategy, a deferred monetary incentive plan was developed for management retention that represents the most suitable retention tool consistent with the distinctive characteristics of the Group.

This incentive plan, in line with the risk profile, also aims to reinforce the culture of value creation in terms of the ability to create shared value while simultaneously consolidating the culture of financial solidity within the Group and, therefore, maintaining a conservative risk profile. The incentive plan has proven effective in aligning the management's actions with the objectives of strengthening the shareholders' and main stakeholders' fundamental parameters of interest; with the 2019 introduction of Enterprise value added as a parameter/objective. The trend in total shareholders' return shows that the transfer of the value created by the Group has been incorporated into the performance of the shares and, consequently, passed on to the benefit of the shareholders, which is the ultimate goal of the long-term plans and associated retention plan.

The focus on balancing indicators in the definition of both short- and medium-term variable incentive schemes, which includes the creation of shared value in line with the sustainability goals defined by the United Nations, was strengthened in 2021 by adding shared-value EBITDA among the main Kpi of the Group's policy.

This indicator is mainly derived from activities and projects responding to the Global Agenda's call to action structured around three drivers in relation to specific purposes:

- Environment: activities aimed at “regenerating resources and closing the loop”. Sustainable water resource management, transition to a circular economy, air and soil protection are the main areas of focus for this driver.
- Energy: activities aimed at “pursuing carbon neutrality”. Energy transition and use of renewables, promotion of energy efficiency are the focus areas of this driver.
- Local areas: activities aimed at “enabling resilience and innovation”. Innovation and digitalisation of processes, economic development and social inclusion are the two focus areas of this driver.

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, solvency indicators and sustainability indicators, and provides details concerning the relationship between variations in results and variations in remuneration, with the clear aim of bringing remuneration into line with individual and company-level performance.

4.03 Correlation between remuneration and employees’ compensation/working conditions

Since its establishment, Hera Group has adopted a strategy focused on its people, as they are the real key to the success of the company’s growth and development.

Attention to human resources has always been a fundamental element for the Group, thanks to best practices in the areas of welfare, working conditions, development and training, diversity and innovation. People are at the centre of policies, with processes designed from the outset to increase and innovate workers’ skills, ensure mobility and career development paths, and foster self-directed learning.

The remuneration policy is therefore also part of a corporate context that is particularly attentive to the working conditions of its people and is realized in the move to apply the same practices and tools uniformly to the entire workforce.

Some examples include:

- the extensive use of job evaluation methods at all levels of the organisation to assess the internal fairness and external competitiveness of the individual remuneration offer;
- a performance management process applied to executives, middle managers and employees to enact compensation dynamics consistent with the policies defined;
- constant attention to external market practices, including for the purpose of determining short-term variable percentages for the Group’s management and commercial personnel;
- adjusting the remuneration package mix to reflect the specific nature of certain corporate roles (incentives for commercial personnel) or specific retention needs (retention bonuses for individuals identified as talented within the Group);
- the existence of an integrated corporate welfare system accessible to the entire workforce, with equal welfare quotas allocated to all employees, additional investment to support the education of workers’ children, and the possibility of converting part of the performance bonus into welfare credits;
- the adoption of the total reward statement for the entire company population which, with a view to greater transparency, allows all employees to view all the monetary and non-monetary remuneration they have received in a year;
- monitoring of the gender pay gap through a comparative analysis that allows the company to assess the pay gap in consideration of same-level characteristics such as the complexity of the position held, professional family, seniority in the role and individual performance. In this way, any differences in pay not justified by objective factors are analysed.

4.04 Group leadership model

With the aim of further strengthening the link between remuneration, performance and management behaviour, the Group’s leadership model is considered to be a landmark example in the context of remuneration policies. The assessment of the behaviours outlined by the leadership model is, in fact, an integral part of the management of fixed compensation (see section 5.01), represents a part of the individual short-term objectives included in the BSC (see section 5.02) and is also one of the parameters that determines the level of bonus envisaged in the three-year management retention plan (see section 5.03).

In view of a re-reading of the competitive context and the new challenges the Group is called on to engage with, during 2016 the model was revised and updated through a participatory method that

involved all management in identifying the new, key competences. This process also included a wide-ranging market benchmark and careful analysis of strategic challenges.

The current model is based on four dimensions: I/we, today/tomorrow and involves four areas of expected results (each characterized by two distinctive competences): giving shape to results (energy and decision; realisation), constructing common ground (cooperation; influence), adding value (excellence and simplification; managing complexity), building the future (innovation; valorising people). The model stands out by virtue of its exemplary style and agility as an approach.

Each skill is broken down in terms of distinctive behaviours for all the individual positions (directors, managers, middle managers, supervising employees and employees) on the basis of a scale from 1 to 5, ensuring that the model represents the behavioural reference point for the entire population involved. In order to further reinforce the importance of the leadership model as a central factor for the Group's growth and development, also in view of the increasingly consolidated application of this model that has led people to perform each individual skill better and better, beginning in 2021 it was decided that the target of expected behaviours would be raised, as evidence of the company's constant attention to the continuous improvement of the standards against which it measures itself.

This assessment system incentivizes management not only to achieve the individual targets set, but also to implement behaviours that give rise to intangible value inside and outside the organisation, important for granting greater strength and concreteness to the company's values in the daily work of all employees.

4.05 Exceptions to the remuneration policy

Exceptionally and on a non-recurring basis, subject to the judgement of the Remuneration Committee, exceptions to the above policy may be granted by the Board of Directors (e.g. incentive targets, incentive systems, awards), on the condition that this does not compromise the application, where necessary, of the rules set out in the Procedure for transactions with related parties.

It should be noted that "exceptional circumstances" are those situations in which deviation from this policy is appropriate in the pursuit of the long-term interests and sustainability of the Company as a whole or to ensure its ability to perform in the marketplace. Exceptional circumstances may include extraordinary transactions that were not previously planned (e.g. acquisition, restructuring, reorganisation or reconversion), changes to the organisational, managerial and administrative structure of the company that may impact economic and financial results and the long-term creation of value, and actions aimed at attracting/retaining the best talent.

5 Compensation elements and remuneration components

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

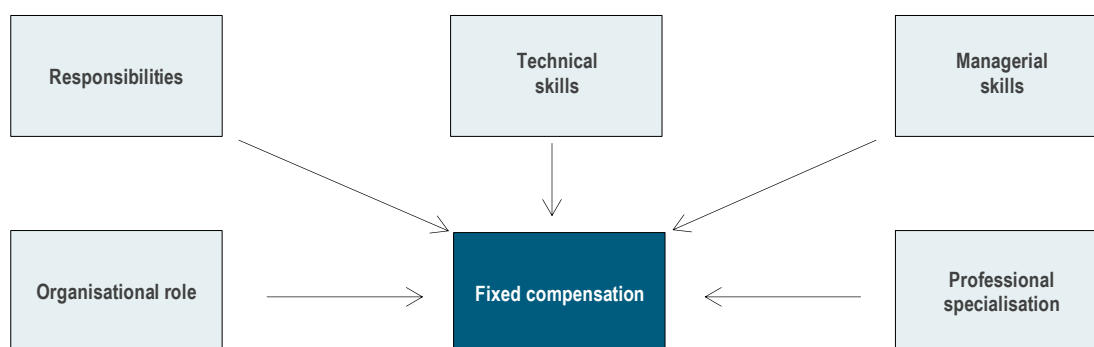
The fundamental components of remuneration for Hera Group Directors are:

- fixed compensation;
- short-term variable compensation;
- deferred variable compensation for retaining managers;
- non-monetary benefits.

5.01 Fixed compensation

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

The levels of the fixed component of remuneration are established with respect to the specific nature of the company and its risk profile, so as to guarantee the ability to attract and retain talent with the professionalism the Group requires.



For each executive, the reference salary level is determined on the basis of the weight of the organisational position held, on the basis of which a benchmarking comparison is carried out in relation to selected external markets. The benchmarking, carried out by an external company, takes into consideration a total of 278 companies, 36% of which are Italian and 64% foreign. 15.9% of the companies have more than 5,000 employees.

These benchmarks are drawn from specialized, sector companies that carry out remuneration surveys, surveys in which the Group participates. On the whole, the remuneration level chosen as a reference point is in the medium band for the market (first quartile/median). These market references, combined with an evaluation of performance and managerial ability, form the basis of individual compensation reviews.

5.02 Short-term variable compensation - The Balanced Scorecard system (BSC)

The short-term variable component of remuneration is linked to the achievement of individual and Group objectives that derive directly from the Company's strategic priorities through the adoption of the balanced scorecard model.

5.02.01 Recipients

The scope of application of the BSC system consists of all Hera Spa and Group subsidiary company directors, managers and supervisors. With respect to the population of directors and executives, for the year 20212, the scope includes 41 directors and 110 managers. A similarly arranged evaluation form is also envisaged for the Executive Chairman and the CEO.

5.02.02 Incentive and objective definition process

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

- target projects, defined on the basis of the Group's strategic map, derived from the business plan and consistent with the medium/long-term policies and objectives on all the ESG dimensions; this area has a relative weight which, for directors, varies from 50% to 80%, for managers from 40% to 70% of the score card total;
- the economic objectives of the individual budget units, assessed by means of economic-financial indicators; this area has a relative weight that for directors and managers varies from 10% to 40% of the score card total;
- assessment based on the degree to which the individual has adopted the behaviours envisaged by the Group's leadership model; this area has a relative weight of 10% for directors and 20% for managers of the score card total.

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 Managers, and corresponds to the total of the weight of the individual objectives belonging to the same area.

5.02.03 Performance measurement

The BSC system entails a series of qualitative-quantitative assessments for the directors/managers/supervisors listed below:

- a quarterly assessment that is also shared in the management review (Management Committee);
- the most important strategic projects are evaluated in terms of the progress made, the obstacles that might cause a possible slowdown of the project and what might be done to resolve them;

- any instances of out-performance are taken into consideration during the revised budget;
- the assessment of projects is qualitative-quantitative;
- the appraisal of behaviours envisaged by the leadership model includes 360-degree observations that can be applied across the entire organisation and takes place by involving the heads of the individual teams who assess the following skills envisaged by the model:
 - a) Energy and decision making
 - b) Realisation
 - c) Cooperation
 - d) Influence
 - e) Excellence and simplification
 - f) Complexity management
 - g) Innovation
 - h) Valorisation of people

A target is established at the beginning of each reference period and for each objective. Individual performance is assessed on the basis of the achievement of the objectives actually pursued (result) and the specific weight of each individual objective, as follows:

- objective projects: each assigned project is evaluated by the direct supervisor using 11 levels of evaluation (0%, 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%, 100%) chosen on the basis of whether the indicators present in each project have actually been attained;

	Project objective achieved (Evaluation level: 100%)	Project objective achieved almost completely (evaluation levels: 90%-80%-70%)	Project objective partially achieved (evaluation levels: 60%-50%)	Significant gaps between project objective and results (evaluation levels: 40%-30%-20%-10%)	Project objective not achieved (0% points)
Indicators	All relevant targets met* or exceeded: 100% targets achieved	Most of the relevant targets met*: 75%<=targets achieved<100%	More than half or half of relevant targets met*: 75%<targets achieved<=50%	Only some relevant targets met*: 50%<targets achieved<=10%	None of the relevant targets met*

* Relevant targets are targets the achievement of which is a necessary condition for the full attainment of project objectives.

- economic objectives of individual budget units: the result is automatically assessed on the basis of the final figures shown in the statutory financial statements for the economic indicators assigned under an “achieved/not achieved” logic;
- leadership model behaviours: this assessment is carried out on all the eight behaviours envisaged by the model and is calculated on the basis of the arithmetic average of the assessments of each behaviour; the target for each person being assessed is identified on an assessment scale from one to five and the target has been raised from 3 to 3.5 (see section 4.03) for all company positions, a value that represents how solidly individual behaviour has been modelled throughout the period in question; the percentage of behavioural target achievement is distributed over ten bands according to the following scheme:

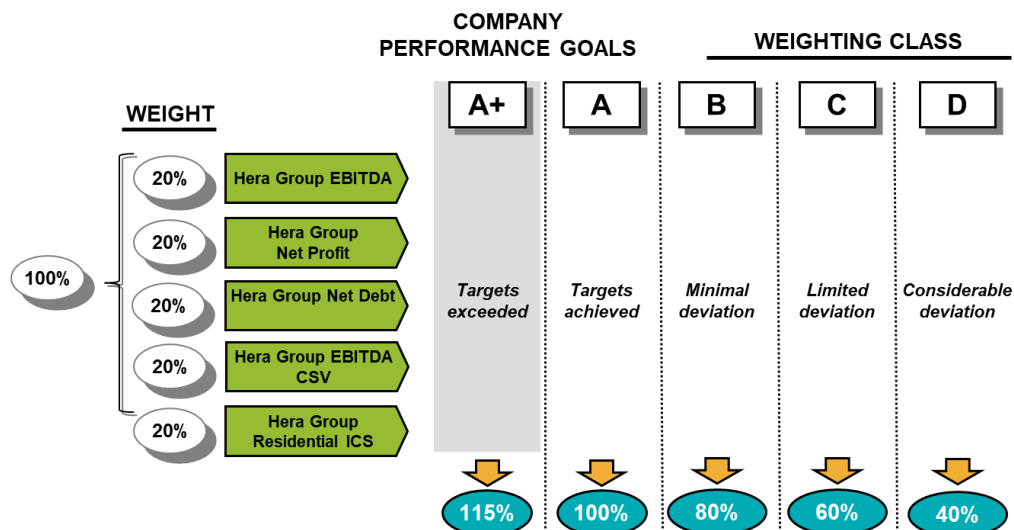
– arithmetic average of the eight assessment areas	>=3.5	result 100%
– arithmetic average of the eight assessment areas	> 3.25 and < 3.5	result 90%
– arithmetic average of the eight assessment areas	> 3.13 and <= 3.25	result 80%
– arithmetic average of the eight assessment areas	> 3 and <= 3.13	result 70%
– arithmetic average of the eight assessment areas	> 2.88 and <= 3	result 60%
– arithmetic average of the eight assessment areas	> 2.75 and <= 2.88	result 50%
– arithmetic average of the eight assessment areas	> 2.63 and <= 2.75	result 40%
– arithmetic average of the eight assessment areas	> 2.5 and <= 2.63	result 30%
– arithmetic average of the eight assessment areas	> 2.38 and <= 2.5	result 20%
– arithmetic average of the eight assessment areas	> 2.25 and <= 2.38	result 10%
– arithmetic average of the eight assessment areas	<= 2.25	result 0%

The result of the evaluation carried out using the aforementioned model is then weighted through a company results profile which takes into account the performance recorded by the Group referring, for 2022, to five parameters:

- EBITDA;
- Net Profit;
- Net Debt;

- shared value EBITDA (CSV);
- Customer Satisfaction Index (CSI) households.

On the basis of the performance profile achieved by the Company on these five parameters, the weighting percentage to be applied to the individual results of managers up to 115% of the bonus (in the event of performance beyond that set out in the established company targets) according to the following scheme:



Each parameter is evaluated separately. The weighting percentage is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator. Any indicator which registers a final balance lower than class D results in the value of the premium linked to the indicator being reset to zero.

For 2022, the target values of the four weighting parameters are:

- Hera Group EBITDA: 1,254 mn;
- Hera Group Net Profit: 375.9 mn;
- Hera Group Net indebtedness: 4,240 mn;
- Hera Group CSV EBITDA: 680 mn;
- Hera Group Residential ICS: 72.

5.02.04 Incentive level

The short-term variable remuneration envisaged by the BSC system on meeting 100% of the individual objectives involves an amount expressed as a percentage of the gross annual fixed remuneration (AGR), divided by category of recipient:

- | | |
|-------------------------------|----------------|
| ■ Executive Chairman and CEO: | 50% of the AGR |
| ■ Directors: | 30% of the AGR |
| ■ A-class managers: | 22% of the AGR |
| ■ B-class managers: | 17% of the AGR |

For Managers there is a maximum of two separate variable remuneration levels, based on the weight of the manager within the organisation and the strategic value of his or her duties.

With respect to 2022, depending on the results of the incentive system and the position held by the recipient, the following maximum salaries are established:

- for the Executive Chairman and Chief Executive Officer: the policy sets a maximum variable remuneration equal to 57.5% of the total gross fixed compensation [(57.5%) = maximum individual variable (50%) x maximum company weighting (115%), corresponding to having outperformed all the established targets (class A+)];
- for directors: the policy sets a maximum variable remuneration equal to 34.5% of the total gross fixed compensation [(34.5%) = maximum individual variable (30%) x maximum company weighting

(115%), corresponding to having outperformed all the established targets (class A+) associated with company objectives];

- for managers: there are two distinct levels of maximum variable remuneration based on the manager's weight within the organisation and the strategic importance of his or her tasks, equal respectively to 25.3% [(25.3%) = maximum individual variable (22%) x maximum company weighting (115%) corresponding to having out-performed all the established targets (class A+) related to the company objectives] of the total gross fixed remuneration, and 19.6% [(19.6%) = maximum individual variable (17%) x maximum company weighting (115%), corresponding to having out-performed all the established targets (class A+) related to the company objectives] of the total gross fixed remuneration.

The following table shows a summary of the maximum variable compensation for the various categories of recipients in the event of maximum individual performance and outperformance of all corporate targets:

Position held	Maximum company weighting (A)	Individual variable maximum (B)	Variable compensation maximum (AxB)
Executive Chairman and Chief Executive Officer	115%	50%	57.5%
Directors	115%	30%	34.5%
A-class managers	115%	22%	25.3%
B-class managers	115%	17%	19.6%

The table below illustrates the mechanism for measuring the maximum bonus for a director:

Component	Description	Example of outperforming company targets and achieving the maximum individual assessment	Example of meeting company targets and achieving the maximum individual assessment
A	Annual gross compensation (€)	100,000	100,000
B	Target bonus (% AGR)	30%	30%
C	Target bonus (€) = A x B	30,000	30,000
D	Individual objectives achieved (%)	100%	100%
E	Weighting coefficient (%) Company performance (%)	115%	100%
F	Value of the bonus paid (€) = C x D x E	34,500	30,000

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 Long-term variable compensation: Management retention plan

5.03.01 Plan aims and recipients

The long-term variable component of remuneration is linked to a retention plan applied to the Executive Chairman and the Chief Executive Officer in relation to the multi-year term of their office, and for a limited number of managers.

The Board of Director's decision to adopt the retention plan stemmed from its evaluation of a series of elements:

- since the establishment of Hera, the Group has grown significantly in terms of company size, area served and final results;
- from the point of view of executive management, the Group has reached a composition that is the result of a careful balancing between bringing in new skillsets, coming from the market, and specific, valuable competencies already present;
- the Group currently enjoys a strong reputation and good visibility on the market, and consequently it makes sense to engage in highly selected retention actions for those executives who hold strategic roles and display both high performance and high market risk.

The plan involved an initial period of application in the 2016-2018 three-year period, with disbursement of the related award in 2019, and a second three-year period of application 2019-2021, with disbursement of the related award scheduled for 2022, under which, as established by the Board of Directors at its meeting on 19 December 2018, the plan was envisaged to evolve with the aim of further enhancing the ability to create and share value, as well as further consolidating the Group's culture of long-term financial solidity and more effectively pursuing the interests of stakeholders. As resolved by the Board of Directors on 27 January 2022, the adoption of the plan was confirmed for the 2022-2024 three-year period, maintaining unchanged the model for the functioning of the system that had already been approved in previous three-year periods and updating the recipients in accordance with the general criteria outlined below:

- identification of a limited number of managers based on the weight of their organisational position, evaluation of their performance in the development process, and age;
- annual evaluation mechanism for accessing and renewing/not renewing the awarding of the monetary plan, based on the above criteria;
- top management's responsibility in choosing recipients, including in view of assessment criteria based on the actual market risk of the professional profile in question.

Starting from fiscal year 2020 and for the 2020-2022 three-year period, as resolved by the Board of Directors on 24 June 2020, the scope of the plan's recipients also includes the Executive Chairman.

5.03.02 Objective definition process

From the point of view of keeping remuneration in line with performance, the retention plan encourages a commitment to the development of individual managerial skills and the achievement of the strategic objectives of the Group in a three-year perspective.

The evaluation component of individual managerial skills considers the level achieved by recipients in the three-year period in relation to the eight skills identified by the leadership model:

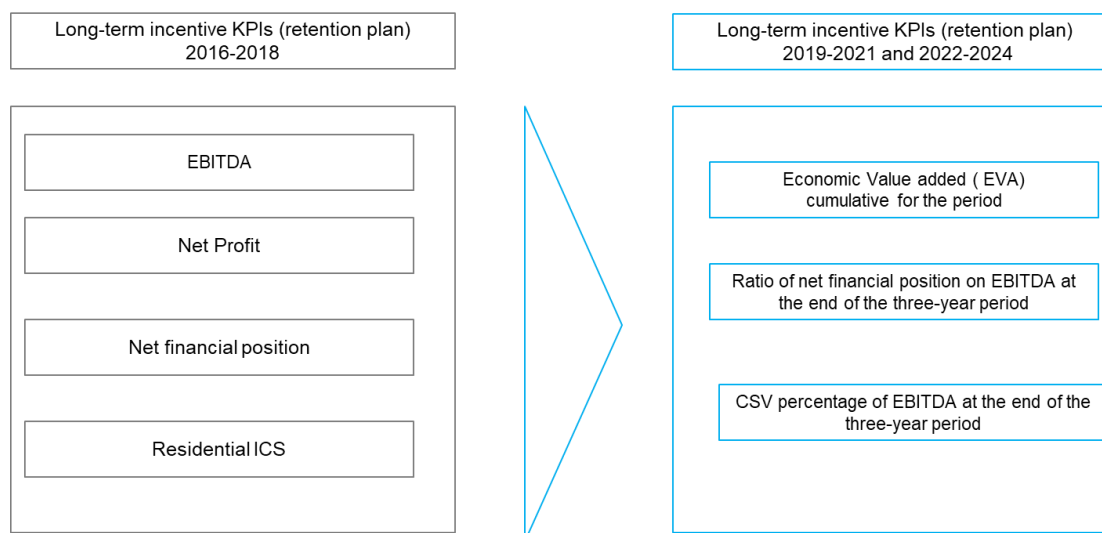
- a) Energy and decision making
- b) Realisation
- c) Cooperation
- d) Influence
- e) Excellence and simplification
- f) Complexity management
- g) Innovation
- h) Valorisation of people

The component based on the achievement of Group strategic objectives was updated at the time of the 2019-2021 second three-year application period as approved by the Board of Directors at its 19 December 2018 meeting and confirmed for the 2022-2024 three-year period.

The structure is designed to increase the value of the bonus in proportion to the level of achievement of the set objective and includes three indicators (weighted equally):

- economic-financial indicator: Economic Value Added (EVA) or the cumulative target value for the three-year period, equal to the difference between NOPAT (Net Operating Profit After Taxes) and WACC (Weighted Average Cost of Capital) for the capital invested;
- the year-end relationship, as of the last year of the three-year period, between the Net Financial Position and EBITDA;
- the amount of Creating shared value (CSV) as a proportion of end-of-year EBITDA in the last year of the three-year period.

The following diagram shows the Group's long-term strategic objectives for the retention plan as compared to those used in the version for the last three-year period:



5.03.03 Maximum incentive level, performance measurement and bonus accrual mechanism

For the Executive Chairman, the maximum value of the three-year incentive bonus, upon achievement of 100% of the targets, amounts to 120% of the fixed annual remuneration (AGR) as of December 2022.

For the 2019-2021 three-year period, the target values of the pre-set objectives (KPI) are:

- EVA: 377 mn with a WACC of 4.5%;
- PFN/EBITDA at 2021: 2.84;
- %CSV at 2021: 40%.

For the 2020-2022 three-year period, the target values of the pre-set objectives (KPI) are:

- EVA: 461 mn with a WACC of 4.5%;
- PFN/EBITDA at 2022: 2.88;
- %CSV at 2022: 41%.

For the 2022-2024 three-year period, the target values of the pre-set objectives (KPI) are:

- EVA: 550 mn with a WACC of 4.5%;
- PFN/EBITDA at 2024: 2.94;
- %CSV at 2024: 55%.

For the rest of Group management covered by the retention plan, the maximum three-year incentive on achieving 100% of the objectives is 100% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the fixed annual gross remuneration, or 33% of the fixed annual gross remuneration) or 50% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the fixed annual gross remuneration, or 16.67% of the fixed annual gross remuneration). For the 2022-2024 three-year period, the reference salary is that of April 2025; differentiation in the amount of the incentive among the different recipients is based on the weight of the person's organisational position, the evaluation of his or her performance within the development process, and market risk.

The maximum value of the retention plan bonus is determined according to the following calculation system:

- Executive Chairman (2020-2022 three-year reference period with projected disbursement in May 2023)

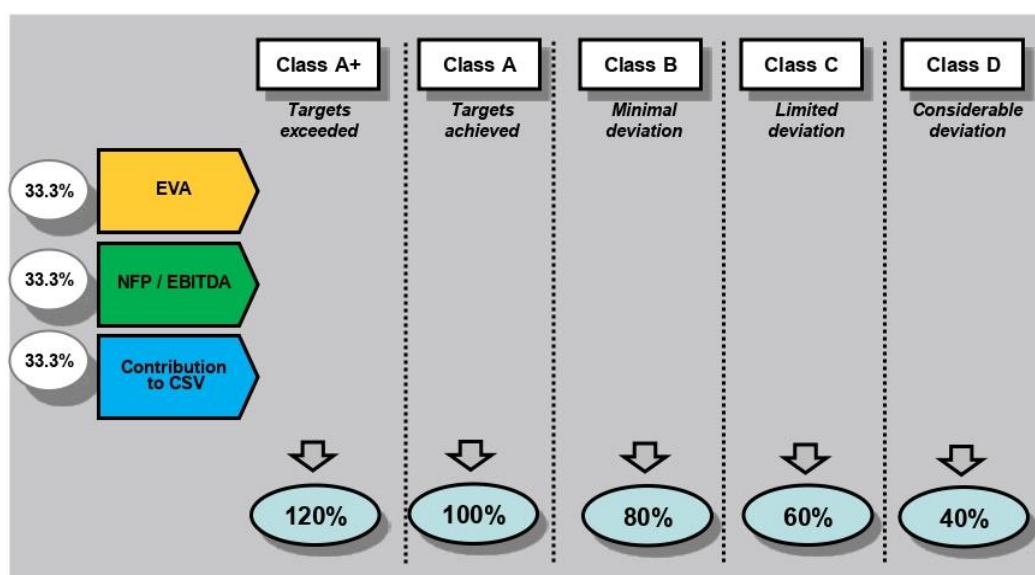
$$\text{Three-year bonus value (disbursement May 2023)} = \text{R.A.L. (gross annual salary as of Dec. 2022)} \times 120\% \times \text{KPI achievement level (weighted average percentages)}$$

- For the remainder of the Group's management who are beneficiaries of the retention plan (2022-2024 three-year reference period with projected disbursement in May 2025) subdivided into two categories of beneficiaries.



The evaluation parameter of “developing individual managerial skills” does not apply to the Executive Directors, as these same evaluation elements are considered to already be expressed by the achievement level of Group KPIs.

The level of achievement of Group KPIs may vary up to 120%, according to the following scheme:



Each indicator is evaluated separately. The overall achievement percentage is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator. Any indicator which registers a final balance lower than class D results in the value of the premium linked to the indicator being reset to zero.

The parameter evaluating the development process is provided by the average of evaluations on performance and managerial capacity over the three-year period, or by the annual positioning of each recipient within the following grid that determines the relative weight:

PERFORMANCE	A (ADVANCED)	75%	100%	100%
	M (ACCEPTABLE)	50%	75%	100%
	B (BASE)	0%	20%	25%
		B (BASE)	M (ACCEPTABLE)	A (ADVANCED)
		MANAGERIAL SKILLS		

The incentive is paid in May of the fourth year, provided that the recipient is still employed.

With reference to recipients confirmed in a subsequent long-term incentive plan, in order to limit the risk of them leaving their positions post-disbursement, disbursement is defined in May of the second year in the form of an advance (repaid in the event of termination) of the theoretical amount accrued for the first year of the three-year period (advance payment for the first year amounting to one third of the total three-year bonus).

The pay-out of the remaining portion (equal to two-thirds of the bonus) is instead scheduled for the month of May of the fourth year. If at the end of the period (at the end of the three-year period) the performance achieved merits a variable remuneration lower than the amount already paid as an advance, the differential will be deducted from the remuneration for the current year (fourth year).

5.04 Non-monetary benefits and welfare plan

In line with best practices, the plan also involves the following main forms of insurance coverage: D&O Liability against civil responsibility towards third parties, professional and extra-professional accidental injury, death, and permanent disability due to illness. Managers who hold specific organisational positions are also to be assigned a company car for business and personal use.

Furthermore, beginning in 2017, in order to further reinforce management retention within the Group, a welfare plan was introduced, linked to the achievement of the Group's corporate objectives, that involves paying out welfare quotas that can be spent on the services included among those of the existing corporate welfare plan.

Disbursement is linked directly to the level of achievement of the Group KPIs already used as an overall weighting of the results of the BSC system according to a scheme that, for each individual indicator, stipulates access to the bonus only if the relevant defined target is exceeded.

Each indicator is evaluated separately. The overall result is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator.

The maximum value, on achieving 100% of plan objectives, is 6% of the individual theoretical variable, namely:

- executive members (Executive Chairman and Chief Executive Officer): there is a maximum social bonus equal to 6% of 50% of the total gross fixed remuneration (equivalent to 3% of the AGR);
- directors: there is a maximum welfare bonus equal to 6% of 30% of the total gross fixed remuneration (equivalent to 1.8% of the AGR);
- managers: there are two separate levels of maximum welfare bonus, equal to 6% of 22% of the total gross fixed remuneration (equivalent to 1.3% of the AGR) and 6% of 17% of the total gross fixed remuneration (equivalent to 1% of the AGR), respectively;

Furthermore, in keeping with the implementation of the Group welfare plan launched in 2016, access to a Flexible Benefit plan was established for all Group employees, involving the allocation of an individual quota of 450 euro in 2022.

Finally, the entire non-managerial population of the Group is allowed to convert up to 50% of the corporate performance bonus into the goods and services included as part of the corporate welfare plan.

6 Remuneration of 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 Orazio Iacono;
- Non-executive Directors: the Vice Chairman of the Board of Directors Gabriele Giacobazzi, and Directors Fabio Bacchilega, Danilo Manfredi, Alessandro Melcarne, Lorenzo Minganti, Monica Mondardini, Erwin P.W. Rauhe, Manuela Cecilia Rescazzi, Paola Gina Maria Schwizer, Federica Seganti, Bruno Tani, Alice Vatta and Marina Vignola.

6.01 Non-executive Directors

With regard to non-executive directors, following their appointment, the Shareholders' Meeting on 29 April 2020 established that they receive a gross annual payment of 40,000 euro, in addition to the reimbursement of living expenses sustained while performing their office.

The Board of Directors, with regard to the offices held by Directors in Group companies as well as in HERA Group committee (Executive Committee, Remuneration Committee, Control and Risks Committee and Ethics and Sustainability Committee) decided to award these Directors a total sum of 20,000 euro gross per year.

The same Board of Directors decided, on 24 June 2020, to award the Vice Chairman a fixed annual sum of 85,000 euro for the duration of his office which includes the indemnity due as a director and any other fees for offices held in Group companies.

Office	2018 compensation	2019 compensation	2020 compensation	2021 compensation	2022 compensation
Vice Chairman	85,000 euro	85,000 euro	85,000 euro	85,000 euro	85,000 euro
Member of the Board of Directors	40,000 euro	40,000 euro	40,000 euro	40,000 euro	40,000 euro
Member of Hera Group committees and/or the Board of Directors of Group companies	20,000 euro	20,000 euro	20,000 euro	20,000 euro	20,000 euro

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, the plan also involves the following main forms of insurance coverage: D&O Liability against civil responsibility towards third parties, professional and extra-professional accidental injury, and death.

6.02 Executive Directors

6.02.01 Fixed compensation

With regard to the offices of Executive Chairman and Chief Executive Officer, as in the previous year, a fixed annual emolument of 380 thousand euros gross each was confirmed (as approved by the Board of Directors on 24 June 2020, with effect from 29 April 2020 and on 11 May 2022 with effect on the same date), including the compensation envisaged for this office as well as the offices held in Group companies. This remuneration, valid for the entire duration of the term, was determined by taking into

account their positioning with respect to the market and the benchmark levels reported for top positions in listed multi-utility companies.

The Executive Chairman and Chief Executive Officer come under the scope of the remuneration policies defined for the top management of the company, the methodology of which is based, as stated previously, on the method of weighting their positions and carrying out comparisons with the market.

6.02.02 Short-term variable compensation

With reference to the variable component of short-term remuneration, for the year 2022 the Executive Chairman and Chief Executive Officer have been awarded a variable remuneration linked to the achievement of Group performance objectives as follows: a bonus equal to 50% of their fixed annual emolument will be paid upon achievement of the target economic and financial results (EBTDA, net result and CSV EBTDA) for 2022 and the results of the 2022 customer satisfaction survey (ICS). For the Executive Chairman, by resolution of Hera Spa's Board of Directors of 11 May 2022 relating to the 2022 financial year, an additional variable compensation of 50,000 euro was granted upon achieving 100% of the short-term objectives.

In the they outperform the set targets, a maximum result growth of 15% is provided, generating a maximum variable compensation of 57.5% [(57.5%) = maximum individual variable (50%) x maximum company weighting (115%)], corresponding to the outperformance of all set targets (class A+)].

Executive directors have no obligation to use their compensation to make investments in Hera shares.

In order to facilitate a comparative reading of the remuneration elements for the last three years, the company results for 2020, 2021 and 2022 are shown below.

Calculation of having reached company targets in 2020 (paid out during 2021):

Weights (A)	Kpi	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (Ax B)
30%	EBITDA (mn/euro)	1,104	1,123	Achieved	100%	(A) 30.0%
20%	Net profit (mn/euro)	312.4	322.8	Exceeded	115%	(A+) 23.0%
25%	PFN (mn/euro)	3,301	3,227	Achieved	100%	(A) 25.0%
25%	Residential ICS	72	73	Exceeded	115%	(A+) 28.8%
100%						106.8%

Calculation of having reached company targets in 2021 (paid out during 2022):

Weights (A)	Kpi	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (Ax B)
30%	EBITDA (mn/euro)	1,160	1,223.9	Exceeded	115%	(A+) 34.5%
30%	Net profit (mn/euro)	336.0	372.7	Exceeded	115%	(A+) 34.5%
20%	CSV EBITDA (mn/euro)	463.5	535.8	Exceeded	115%	(A+) 23.0%
20%	Residential ICS	72	73	Exceeded	115%	(A+) 23.0%
100%						115.0%

Calculation of having reached company targets in 2022 (to pay out during 2023):

Weights (A)	Kpi	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (AxB)
20%	EBITDA (mn/euro)	1,254	1,295	Exceeded	115%	(A+) 23.0%
20%	Net profit (mn/euro)	375.9	372.3	Achieved	100%	20.0%
20%	Net indebtedness (mn/euro)	4,240	4,249.8	Achieved	100%	20.0%
20%	CSV EBITDA (mn/euro)	680	670.3	Achieved	100%	20.0%
20%	Residential ICS	73	72	Minimum Variance	80%	16.0%
100%						99.0%

The variable short-term bonus for 2020 was therefore 42.7% (106.8% x40%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 46% of the fixed gross annual remuneration).

The short-term variable bonus accruing in 2021 was 57.5% (115.0%x50%) of the gross fixed annual remuneration (equal to the theoretical maximum).

For the Chairman the short-term variable bonus for 2022 has two components::

- 49.5% (99%x50%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 57.5% of the fixed gross annual remuneration).
- 99% of 50,000 euro, equal to 13% of the annual gross compensation

For the CEO it is 49.5% (99%x50%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 57.5% of the fixed gross annual remuneration)..

As reported in the note contained in the 2022 Financial Statements file, the results achieved in 2022 were affected by the sharp increase in gas prices, an effect that began in the second half of 2021 and continued with greater volatility throughout 2022, peaking in the summer months. This phenomenon also affected the natural gas storage process, which, compared to the same period in 2021, took place in a time period (starting in April 2022) characterised by average purchase prices up to five times higher than those of the previous year, resulting in both economic (purchase cost) and financial (working capital commitment) impacts.

Therefore, as a supplement to the disclosure at 31 December 2022, in order to facilitate the analysis of business performance and ensure better comparability of results, management deemed it appropriate to present the results by valuing natural gas storages according to a management criterion, in order to provide a representation consistent with the context of the year, which presented significant and sudden price changes as compared to the past.

The effect of this valuation on the 2022 KPI and related management adjustments are shown in the following table:

Kpi	Result achieved	Management adjustments	Published scheme
EBITDA (mn/euro)	1,295	94.1	1200.9
Net Profit (mn/euro)	372.3	67.0	305.3
Net Debt (mn/euro)	4,249.8	0	4,249.8
CSV EBITDA (mn/euro)	670.3	0	670.3

Therefore, the methodology for representing results in accordance with the management criterion described above was also adopted for reporting results related to the short-term objectives of the Executive Chairman and Chief Executive Officer, as shown in the tables above.

6.02.03 Group welfare plan

Beginning in 2017, a welfare plan was introduced for the Executive Chairman and CEO as well, linked to the achievement of the Group's corporate objectives, that involves paying out welfare quotas that can be spent on the services included among those of the existing corporate welfare plan, the form of which is comparable to that described above, in section 5.04.

The maximum value, on achieving 100% of plan objectives, is 6% of the individual theoretical variable, for 2022, specifically:

- for the Executive Chairman and Chief Executive Officer, amounting to 6% of 50% of total gross fixed emoluments (equivalent to 3.0% of total gross fixed compensation);

In order to facilitate a comparative reading of the remuneration elements for the last three years, the welfare plan results for 2020, 2021 and 2022 are shown below.

Calculation of having reached the welfare plan in 2020 (paid out during 2021):

Weights (A)	Kpi	Target	Result achieved	as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mn/euro)	1,104	1,123	Not Achieved	0%	0%
20%	Net profit (mn/euro)	312.4	322.8	Achieved	100%	(A+) 20.0%
25%	PFN (mn/euro)	3,301	3,227	Not Achieved	0%	0%
25%	Residential ICS	72	73	Achieved	100%	(A+) 25.0%
100%						45.0%

Calculation of having reached the welfare plan in 2021 (paid out during 2022):

Weights (A)	Kpi	Target	Result achieved	as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mn/euro)	1,160	1,223.9	Achieved	100%	(A+) 30.0%
30%	Net profit (mn/euro)	336.0	372.7	Achieved	100%	(A+) 30.0%
20%	CSV EBITDA (mn/euro)	463.5	535.8	Achieved	100%	(A+) 20.0%
20%	Residential ICS	72	73	Achieved	100%	(A+) 20.0%
100%						100.0%

Calculation of having reached the welfare plan in 2022 (to be paid during 2023):

Weights (A)	Kpi	Target	Result achieved	as compared to the target	Weighting class (B)	Weighting (AxB)
20%	EBITDA (mn/euro)	1,254	1,295	Achieved	100%	(A+) 20.0%
20%	Net profit (mn/euro)	375.9	372.3	Not Achieved	0%	0%
20%	Net indebtedness (mn/euro)	4,240	4,249.8	Not Achieved	0%	0%
20%	CSV EBITDA (mn/euro)	680	670.3	Not Achieved	0%	0%
20%	Residential ICS	73	72	Not Achieved	0%	0%
100%						20.0%

The value of the welfare plan for 2020 (paid in 2021) was therefore 1.1% (6%x40%x45%) of fixed annual gross emoluments (compared to the maximum theoretical bonus of 2.4% of fixed annual gross emoluments).

The value of the welfare plan for 2021 (paid in 2022) was therefore 3.0% (6%x50%100%) of gross fixed annual emoluments (equal to the theoretical maximum).

The value of the welfare plan for 2022 (to be paid in 2023) for the Executive Chairman and Chief Executive Officer is therefore 0.6% (6%x50%x20%) of fixed annual gross emoluments (compared to the maximum theoretical bonus of 3.0% of fixed annual gross emoluments) and an additional 20% to apply to 6% of 50,000 euro in relation to the additional variable compensation approved by the Hera Spa's Board of Directors in its 11 May 2022 meeting.

For the CEO, the value of the welfare plan for 2022 is 0.6% (6%x50%x20%) of fixed annual gross emoluments (compared to the maximum theoretical bonus of 3%).

As previously highlighted for the reporting of indicators related to the short-term variable, the methodology for representing results according to the management criterion was also adopted here for reporting the welfare plan of the Executive Chairman and Chief Executive Officer as described in the tables above.

Finally, with reference to the implementation of the Group's welfare system launched in 2016 that provides for the allocation of an annual quota to all Group employees that can be spent on the services available under the existing corporate welfare plan, an annual amount of 450 euro was set for the entire corporate workforce in relation to 2022. In keeping with the Group's executive status and effective date of appointment, access to a Flexible Benefit plan was established for the CEO, involving the allocation of an individual amount of 300 euro in 2022, proportionate to the actual period of service in the calendar year.

In addition, in accordance with the regulations of the corporate welfare plan, an additional 130 euros was allocated to reimburse school expenses for children.

6.02.04 Deferred variable compensation for retaining managers

Following the resolution of the Board of Directors on 24 June 2020, a deferred variable remuneration was introduced for the Executive Chairman which is correlated to the achievement of the Group's economic and financial results in the financial years 2020, 2021 and 2022. The relative maximum economic value for the three-year reference period is 120% of December 2022 fixed compensation with pay-out scheduled for the end of the 2022 financial year, upon approval of the associated financial statements by the Shareholders' Meeting and on the condition that, at that date, he has retained his positions with the Group companies for all intents and purposes.

Consistent with the criterion of a multi-year term of office under the retention plan, its application in 2022 for Executive Directors is currently only established for the Executive Chairman.

The results for the three-year period 2020-2022 relating to the objectives set (Kpi) are shown below:

Weights (A)	Kpi	Target	Result achieved	as compared to the target	Level of achievement (B)	Result (AxB)
33.3%	Hera Group EVA (mn)	461.0	559.0	Exceeded	120%	(A+) 40.0%
33.3%	Hera Group PFN/EBITDA	2.88	3.28	Large deviation	40%	(D) 13,3%
33.3%	Contribution to Hera Group CSV (%)	41%	51.8%	Exceeded	120%	(A+) 40,0%
100%						93,3%

With respect to the indicators described above, the specific components that determined their final outcome are explained below:

The final cumulative EVA for the 2020-2022 three-year period is 559 million and is higher than the target of 98 million. The higher value creation depends mainly on higher EBITDA, particularly in the years 2021 and 2022, which is reflected in higher net income and operating income after taxes.

The positive economic performance was thus able to cover the higher cost of capital brought about by the growth in Net Invested Capital, which increased particularly in 2022.

Given the extraordinary environment in 2022, as already highlighted in paragraph 6.02.02, the NFP/EBITDA indicator recalculated considering the operating result of the Hera Group's Ebitda and stood at 3.28, especially for the effect of the extraordinary storage of gas that took place in 2022.

The Hera Group CSV contribution was 51.8% (670.3/1295) of the Group's EBITDA, the effect of higher growth resulting from business activities that create shared value than from business activities that do not. The result was calculated in accordance with the new 2022 CSV Framework. Recalculating the result against the CSV Framework in effect in 2020 (the year in which the target was set), the result would be 44.9% (581.1/1295, still maintaining Class A+). In both cases, the result was related to the Group's final management EBITDA.

The variable bonus resulting from the retention plan for the Executive Chairman is, therefore, 112.0% (120.0% \times 93.3%) of the gross fixed annual compensation reported at December 2022.

The amount will be disbursed in 2023 upon the approval of the relevant budget by the General Shareholders' Meeting, and provided that he has retained his positions in full effect at Group companies as of that date.

With regard to the offices of Executive Chairman and Chief Executive Officer, the theoretical composition of the maximum remuneration package for 2022 is summarized below:

Executive Chairman

Annual gross compensation	380,000 euro
Short-term variable compensation (max. 57.5% of the AGR) + 50.000€	268,500 euro
Welfare plan (max. 3.0% of the AGR) + 6% of 50.000€	14,400 euro
Deferred variable compensation (pro-rata annual max amounting to 48% of the AGR)	182,000 euro
Total	845,300 euro

Chief Executive Officer

Annual gross compensation	380,000 euro
Short-term variable compensation (max. 57.5% of the AGR), pro rata from the date of appointment (11 May 2022)	140,678 euro
Welfare plan (max. 3.0% of the AGR) + Flexible Benefit plan, pro rata from the date of appointment (11 May 2022) + allocation for school expenses reimbursement	7,770 euro
Total	528,448 euro

In relation to non-monetary benefits, in addition to the insurance policies outlined previously in section 6.01, a company car is available for business and personal use.

7 Executive Directors' allowance

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

Already with the previous renewal of the Board of Directors in 2017, a clause was inserted for Executive Directors establishing that, in case of removal from office (except for cases of just cause), he or she 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 of the Civil Code in the amount of 18 monthly salaries.

As far as executive directors with a managerial contract are concerned, termination compensation includes the notice required by the national labour contract.

7.02 Claw-back clause

With effect from the previous renewal of the Board of Directors in 2017, a claw-back clause was also introduced that establishes mechanisms for ex-post correction of the remuneration system for executive directors.

This clause entails the obligation to return already paid-out variable components of remuneration (or to withhold sums subject to deferral) determined on the basis of data that subsequently proved to be incorrect, and is effective from the date of appointment throughout the entire duration of the term; the request to return funds can be made once the relevant assessments have been completed, within three years of disbursement in relation to the year in which the instance occurred.

8 Board of Statutory Auditors compensation

8.01 Board of Statutory Auditors composition

The Hera Spa Board of Statutory Auditors, appointed by the Shareholders' Meeting of 29 April 2020, is composed of Myriam Amato, President, Marianna Girolomini and Antonio Gaiani, standing auditors, and Valeria Bortolotti and Stefano Gnocchi, alternate auditors.

From the date of appointment to that of this report, there have been no changes in the composition of the body.

8.02 Remuneration allocated to the Board of Statutory Auditors

After the appointment of the Statutory Auditors, the shareholders' meeting of 29 April 2020 established that their remuneration is determined for each financial year at a flat rate of 280 thousand euro, of which 120 thousand euro for the Chairman and 80 thousand euro for each standing member, in addition to the reimbursement of documented expenses and legal fees.

Office	2018 compensation	2019 compensation	2020 compensation	2021 compensation	2022 compensation
Chairman	120,000 euro	120,000 euro	120,000 euro	120,000 euro	120,000 euro
Standing Auditors	80,000 euro	80,000 euro	80,000 euro	80,000 euro	80,000 euro
Alternate Auditors	---	---	---	---	---

It is believed that, in compliance with the provisions of the Corporate Governance Code in force at Article 5 - Recommendation 30, the remuneration of Auditors is appropriate to the competence, professionalism and commitment required by the importance of the position they hold, as well as to the size and sector characteristics of the Company and its situation.

SECTION II - REMUNERATION COMPONENTS

Introduction

“Section II” of this report outlines the items that make up the remuneration of members of the administrative and control bodies with the aim of highlighting its consistency with the General Policy described in “Section I”. Pursuant to Article 123-ter of the TUF, as amended by Legislative Decree 49/2019, the Shareholders’ Meeting is called to resolve on this “Section II”.

With reference to the policies for directors’ remuneration, it should be noted that, with respect to the positions held by the directors (excluding the Executive Chairman, Chief Executive Officer and Vice Chairman) in the Group companies, in the Remuneration Committee, Control and Risks Committee, and Ethics and Sustainability Committee, well as the Executive Committee, the directors involved are awarded a total salary of gross 20,000 euro per year to be added to the remuneration established by the Shareholders’ Meeting in the amount of 40,000 euro.

First part

9 Description of the compensation paid to directors

The following section contains, for each figure, the values of the individual components of remuneration pertaining to the financial year 2022 or paid or to be paid for results achieved in that financial year, as well as the remuneration actually paid in 2022 in relation to the degree of achievement of the objectives attained in the previous year.

9.01 Executive Chairman

The fixed compensation for Tomaso Tommasi di Vignano is composed exclusively of wages associated with his relationship as director. The aforementioned compensations also include all services and offices held in the Hera Group’s subsidiary and associate companies.

With reference to the short-term monetary bonus pertaining to 2022 (to be paid in 2023), an amount of 237,600 euro gross was recorded, following the achievement of an overall performance index equal to 99.0%.

With reference to the welfare plan for 2022 (to be paid in 2023), he has also accrued the right to an additional bonus of 2,880 euro that can be spent as part of the services available under the current corporate welfare plan, following the achievement of an overall performance index equal to 20%.

With reference to the variable bonus deriving from the retention plan for the 2020-2022 three-year period, a total amount of 425,600.00 euro gross was recorded, following the achievement of an overall performance index of 93.3%. The amount will be disbursed after the relevant financial statements is approved by the Shareholders’ Meeting, and on condition that, at that date, he will have retained his positions with the Group companies for all intents and purposes.

9.02 Chief Executive Officer

The fixed compensation paid to Orazio Iacono is composed exclusively of gross annual remuneration as a Group manager and also includes all services/offices held in the Hera Group’s subsidiary and associate companies.

In 2022, his fixed remuneration amounted to 243,118 euro, including seniority brackets, unused holidays and benefits accrued as a Group manager.

With reference to the short-term monetary bonus pertaining to 2022 (to be paid in 2023), an amount of 121,105 euro was recorded, following the achievement of an overall performance index equal to 99.0%.

With reference to the welfare plan for 2022 (to be paid in 2023), he has also accrued the right to an additional bonus of 1,468 euro that can be spent as part of the services available under the current corporate welfare plan, following the achievement of an overall performance index equal to 20%.

9.03 Vice Chairman

As of 29 April 2020, Gabriele Giacobazzi was appointed to the position of Vice Chairman, and was paid, for the year 2022, a fixed annual gross remuneration of 85 thousand euro, which the administrative body established, confirming the amount, on 24 June 2020 with effect from 29 April 2020.

9.04 Non-executive Directors

Following the renewal of the administrative body, with effect from 29 April 2020, Fabio Bacchilega, Danilo Manfredi, Alessandro Melcarne, Lorenzo Minganti, Monica Mondardini, Erwin P.W. Rauhe, Manuela Cecilia Rescazzi, Paola Gina Maria Schwizer, Federica Seganti, Bruno Tani, Alice Vatta and Marina Vignola received fixed compensation for their office as directors and additional compensation, the latter with effect from 1 May 2020, for their participation in committees or boards of Group companies, as provided for in the remuneration policy.

9.05 Statutory Auditors

The members of the Board of Statutory Auditors received a fixed fee for the office of auditor as determined by the Shareholders' Meeting.

9.06 Compensation received in Group companies

Remuneration for the Executive Directors, Directors, 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 2022 was 567,668 euro.

The cost of the Hera Spa Board of Directors for the year 2022 was 981,839 euro, net of remuneration amounting to 567,668 euro (for a gross total amount of 1,549,507 euro) received by Hera for the participation of directors/executives in the administrative bodies of its affiliates.

9.07 Comparative information

Comparative data for financial years 2019, 2020, 2021 and 2022 are provided below, pertaining to annual variations in:

- the total remuneration of each individual, with the information reported by name;
- Company results;
- average gross annual compensation, benchmarked to full-time employees, for employees other than individuals whose compensation is reported by name.

The deferred variable compensation figures for management retention with respect to the Executive Chairman (2020-2022 three-year period) represent the annual accrual rate recalculated in relation to the results actually achieved at the close of the 2020-2022 three-year plan.

Executive Chairman

Remuneration component	Accruing in 2019	Accruing in 2020	Accruing in 2021	Accruing in 2022
Fixed compensation	380,000	380,000	380,000	380,000
Short-term variable remuneration	167,960	162,260	218,500	237,600
Theoretical deferred variable compensation for management retention	0	141,867	141,867	141,867
Welfare plan	6,384	4,104	11,400	2,880

data expressed in euro

Chief Executive Officer

Remuneration component	Accruing in 2019	Accruing in 2020	Accruing in 2021	Accruing in 2022
Fixed compensation	-	-	-	243,118
Short-term variable remuneration	-	-	-	121,105
Welfare plan + Flexible Benefit plan, pro rata with respect to date of hire (11 May 2022) + allocation for reimbursement of children's school expenses	-	-	-	1,898

data expressed in euro

Non-executive Directors appointed by the Shareholders' Meeting of 29 April 2020

	Accruing in 2019	Accruing in 2020	Accruing in 2021	Accruing in 2022
Vice Chairman - Giacobazzi Gabriele *	-	68	102	102
Bacchilega Fabio *	-	40	61	61
Manfredi Danilo	60	60	60	60
Melcarne Alessandro	60	60	60	60
Minganti Lorenzo *	-	41	60	60
Mondardini Monica *	-	40	60	60
Rauhe Erwin P.W.	61	61	61	61
Rescazzi Manuela Cecilia *	-	41	61	61
Schwizer Paola Gina Maria *	-	41	61	61
Seganti Federica	60	60	61	61
Tani Bruno *	-	42	63	63
Vatta Alice *	-	40	60	60
Vignola Marina	60	60	60	60

data expressed in thousands of euro

* Newly appointed directors

Average gross annual remuneration for Hera Group full-time employees

	Accruing in 2019	Accruing in 2020	Accruing in 2021	Accruing in 2022
Average employee remuneration	40.0	40.0	40.5	41.0

data expressed in thousands of euro

Company results

The following table shows the trend in the Group's key results deemed most significant for the purposes of assessing operational performance

	2019	2020	2021*	2022*	Change % 2019/2020.	Change % 2020/2021	Change % 2021/2022
Revenues	6,912.8	7,079.0	10,555.3	20,082.0	+2.4%	+49.1%	+90.3%
EBITDA	1,085.1	1,123.0	1,219.4	1,295.0	+3.5%	+8.6%	+6.2%
Operating revenues	542.5	551.3	607.3	627.9	+1.6%	+10.2%	+3.4%
Net income after minorities	300.8	302.7	330.3	322.2	+0.6%	+9.1%	(2.5)%
Net financial debt	3,274.2	3,227.0	3,261.3	4,249.8	(1.4%)	+1.1%	+30.3%
Financial leverage (Net debt/EBITDA)	3,02x	2,87x	2,67x	3,28x			

data expressed in millions of euro

*operating values including the adjustment related to the valuation of the natural gas inventory as indicated in paragraph 1.04 of the 2022 Consolidated and Separate Financial Statements .

Bologna, 21 March 2023

The Executive Chairman of the Board of Directors
(Tomaso Tommasi di Vignano)

Second part

TABLE 1: Compensation paid to members of administrative and control bodies

Administrative body

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation	Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing				
Tomaso Tommasi di Vignano	Executive Chairman	01-Jan-22 31-Dec-22	Annual Financial Report approval at								
(I) Compensation in the company preparing the financial statements				380,000		379,467		11,450	2,325	773,242	
(II) Compensation from subsidiaries and associated companies											
(III) Total				380,000		379,467		11,450	2,325	773,242	

Of which 237,600 euro related to the short-term variable component accrued in 2022 and 141,867 related to the deferred variable component for management retention accrued in 2022, calculated in relation to the results actually achieved at the close of the 2020-2022 three-year plan

Of which 8,570 related to auto and insurance benefits and 2,880 related to the welfare plan accrued in 2022

Notes

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Orazio Iacono	Chief Executive Officer	11-May-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				243,118		121,105		10,057		374,280		
(II) Compensation from subsidiaries and associated companies												
(III) Total				243,118		121,105		10,057		374,280		
Notes				For the period 11 May 2022 - 31 December 2022		Relating to the short-term variable component accrued in 2022 calculated in relation to the employment date of 11 May 2022		Of which 8,159 related to auto, insurance and retirement benefits and 1,898 related to the welfare plan, Flexible Benefit plan (pro rata with respect to the hiring date of 11 May 2022) + share for reimbursement of children's school expenses, accrued in 2022				

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Gabriele Giacobazzi	Vice Chairman	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				85,000				17,388		102,388		
(II) Compensation from subsidiaries and associated companies												
(III) Total				85,000				17,388		102,388		

Notes

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Fabio Bacchilega	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000	20,000			832		60,832		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			832		60,832		

Notes

(I) as a member of the Remuneration Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Danilo Manfredi	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000				450		40,450		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				450		60,450		

Notes

(II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Alessandro Melcarne	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000	20,000			295		60,295		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			295		60,295		

Notes

(I) as a member of the Executive Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Lorenzo Minganti	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000	20,000			446		60,446		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			446		60,446		

Notes

(I) as a member of the Control and Risks Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Monica Mondardini	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000	20,000			235		60,235		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			235		60,235		

Notes

(I) as a member of the Remuneration Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Erwin P.W. Rauhe	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000	20,000			1,470		61,470		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			1,470		61,470		

Notes

(I) as a member of the Control and Risks Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Manuela Cecilia Rescazzi	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000				918		40,918		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				918		60,918		

Notes

(II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Paola Gina Maria Schwizer	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000	20,000			583		60,583		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			583		60,583		

Notes

(I) as a member of the Control and Risks Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Federica Seganti	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000	20,000			551		60,551		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			551		60,551		

Notes

(I) as a member of the Ethics and Sustainability Committee and (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Bruno Tani	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000				2,768		42,768		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				2,768		62,768		
Notes				(II) for offices held in Group companies								

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
			Annual Financial Report approval at			Bonuses and other incentives	Profit sharing					
Alice Vatta	Director	01-Jan-22 31-Dec-22										
(I) Compensation in the company preparing the financial statements				40,000	20,000			347		60,347		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			347		60,347		
Notes				(I) as a member of the Remuneration Committee and the Ethics and Sustainability committee								

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Marina Vignola	Director	01-Jan-22 31-Dec-22	Annual Financial Report approval at									
(I) Compensation in the company preparing the financial statements				40,000				424		40,424		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				424		60,424		
Notes			(II) for offices held in Group companies									

Directors leaving office during the 2022 financial year

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Stefano Venier	Chief Executive Officer	01-Jan-22 26-Apr-22	Since 26-Apr-22									
(I) Compensation in the company preparing the financial statements				121,389				7,827		129,216		
(II) Compensation from subsidiaries and associated companies												
(III) Total				121,389				7,827		129,216		

Notes

Related to car, guest house, insurance and pension benefits.

Control body

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Myriam Amato	Chairman of the Board of Statutory Auditors	01-Jan-22 31-Dec-22	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				120,000				362		120,362		
(II) Compensation from subsidiaries and associated companies				164,669						164,669		
(III) Total				284,669				362		285,031		

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Marianna Girolomini	Standing Auditor	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				80,000				424		80,424		
(II) Compensation from subsidiaries and associated companies				94,548						94,548		
(III) Total				174,548				424		174,972		

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Allowance for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	Standing Auditor	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				80,000				562		80,562		
(II) Compensation from subsidiaries and associated companies				87,369						87,369		
(III) Total				167,369				562		167,931		

Table 3B: Monetary incentive plans for members of the administrative body

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years	Other bonuses
		(A)	(B)	(C)	(A)	(B)	(C)	
		Payable / Paid	Deferred	Deferment Period	No longer payable	Payable / Paid	Still deferred	
Tomaso Tommasi di Vignano	Executive Chairman	Balanced Scorecard system (related approval date)	237,600					
Payments in the company preparing the financial statements		Deferred variable for management retention (related approval date)	141,867	2020-2022				
		Plan C (related approval date)						
		Plan A (related approval date)						
Payments from subsidiaries and associated companies		Plan B (related approval date)						
Total		237,600	141,867					

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years	Other bonuses
		(A)	(B)	(C)	(A)	(B)	(C)	
		Payable / Paid	Deferred	Deferment Period	No longer payable	Payable / Paid	Still deferred	
Orazio Iacono	Chief Executive Officer 11-May-22	Balanced Scorecard system (related approval date)	121,105					
Payments in the company preparing the financial statements		Deferred variable for management retention (related approval date)						
		Plan C (related approval date)						
		Plan A (related approval date)						
Payments from subsidiaries and associated companies		Plan B (related approval date)						
Total		121,105						

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years	Other bonuses
Stefano Venier	Chief Executive Officer Up to 26-Apr-22	(A)	(B)	(C)	(A)	(B)	(C)	
		Payable / Paid	Deferred	Deferment Period	No longer payable	Payable / Paid	Still deferred	
		Balanced Scorecard system (related approval date)						
Payments in the company preparing the financial statements		Deferred variable for management retention (related approval date)						
		Plan C (related approval date)						
		Plan A (related approval date)						
Payments from subsidiaries and associated companies		Plan B (related approval date)						
Total								

Stake holdings by members of administrative and control bodies

First and Last name	Offices in Hera Spa	Affiliate	no. of shares held at the end of the previous financial year or appointment date	no. of shares purchased	no. of shares sold	no. of shares held at the end of the current financial year or date of leaving office
Tomaso Tommasi di Vignano (1)	Executive Chairman	Hera Spa	31,764	-	-	31,764
Orazio Iacono - from 11-May-22	Chief Executive Officer	Hera Spa	-	-	-	-
Gabriele Giacobazzi	Vice Chairman	Hera Spa	-	-	-	-
Fabio Bacchilega	Director	Hera Spa	-	-	-	-
Danilo Manfredi	Director	Hera Spa	-	-	-	-
Alessandro Melcarne	Director	Hera Spa	-	-	-	-
Lorenzo Minganti	Director	Hera Spa	6,700	-	-	6,700
Monica Mondardini	Director	Hera Spa	-	-	-	-
Erwin P.W. Rauhe (2)	Director	Hera Spa	5,000	-	-	5,000
Manuela Cecilia Rescazzi	Director	Hera Spa	-	-	-	-
Paola Gina Maria Schwizer	Director	Hera Spa	-	-	-	-
Federica Seganti	Director	Hera Spa	-	-	-	-
Bruno Tani	Director	Hera Spa	170,000	30,000	-	200,000
Alice Vatta	Director	Hera Spa	-	-	-	-
Marina Vignola	Director	Hera Spa	-	-	-	-
Myriam Amato	Chairman of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Antonio Gaiani	member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Marianna Girolomini	member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Resigned Directors and Auditors						
Stefano Venier - Up to 26-Apr-22	Chief Executive Officer	Hera Spa	-	-	-	-

(1) indirect ownership, through spouse

(2) ownership through subsidiaries, trust companies or third parties

Proposed resolution

Dear shareholders,

- Section I of the report on the remuneration policy and compensation paid, drawn up in compliance with the provisions of Article 5 of the Corporate Governance Code, adopted by Hera Spa via a resolution dated 11 November 2020, as well as article 123-ter of Legislative Decree no. 58/1998 (hereinafter “TUF”) and by Article 84-quater of the regulation implementing the TUF adopted by Consob with resolution 11971 of 14 May 1999 (hereinafter “Issuers’ Regulation”) and amended, also by Consob, with resolution 21623 of 10 December 2020, describes and illustrates the policy proposed by the Company regarding remuneration, as well as the procedures used to adopt and implement this policy.

In view of the above, pursuant to Article 123-ter paragraph 3-ter of the TUF, the meeting is called on to decide on this “Section I” of the report with a binding resolution.

For detailed information on the subject matter of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 21 March 2023 and made available to the public in accordance with the law.

We therefore invite you, in view of the above, to adopt the following resolution:

“The shareholder’s meeting of Hera Spa, in keeping with current legislation in this area,

resolves

to approve “Section I” of the report on the Hera Group remuneration policy and compensation paid”.

- “Section II” of the report on the remuneration policy and compensation paid, drawn up in compliance with the provisions of Article 5 of the Corporate Governance Code, adopted by Hera Spa via a resolution dated 11 November 2020, as well as article 123-ter of Legislative Decree no. 58/1998 (hereinafter “TUF”) and by Article 84-quater of the regulation implementing the TUF adopted by Consob with resolution 11971 of 14 May 1999 (hereinafter Issuers’ Regulation) and amended, also by Consob, with resolution 21623 of 10 December 2020, describes and illustrates in a clear and comprehensible manner the elements that make up the remuneration paid to the members of the administration and control bodies.

In view of the above, pursuant to Article 123-ter paragraph 6 of the TUF, the meeting is called on to decide on this “Section II” of the Report, with a non-binding resolution.

For detailed information on the subject matter of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 21 March 2023 and made available to the public in accordance with the law.

We therefore invite you, in view of the above, to adopt the following resolution:

“The Shareholders’ Meeting of Hera Spa, in accordance with current legislation, and having taken note of the elements comprising the remuneration of the members of the administrative and control bodies:

resolves

to approve “Section II” of the report on the Hera Group remuneration policy and compensation paid”.

Document approved by Hera Spa's Board of Directors on 21 March 2023,
approved by the Shareholders Meeting on 27 April 2023.

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