

Report on the remuneration policy and the remuneration paid



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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.

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

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

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

- calibrating remuneration to performance in a 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 retaining directors and keeping costs down;
- 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, 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 and stable results in the short and medium-long terms
- Retaining employees who hold positions that are strategic for governance and the business
- Promoting the corporate mission and values, also in terms of sustainability

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 the specific risk profile of the company into account, and 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 and variable components, 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 characteristics	Implementation
Fixed compensation	Remunerates professional and managerial technical skills	Compensation profile assessed on the basis of performance, experience, level of responsibility, internal consistency with respect to the evolution of the organisation, and market benchmarks
Short-term variable compensation	Encourages the achievement of strategic and financial objectives as well as the adoption of behaviours consistent with the corporate leadership model	Assignment of individual objectives linked to the Group's Balanced Scorecard system for executives and executive directors
Deferred variable compensation for retaining managers	Retention measure for executives with strategic roles, high performance and high market risk	Reference period: three years. Bonus accrued in relation to the Group's results and the evaluation of the individual development process.
Non-monetary benefits	An integral part of the salary package, predominantly welfare and social security in character	Defined in accordance with industry standards and relevant company policies
Compensation	Severance compensation for the purpose of protecting the interests of the company	In the event of early termination or revocation of the office of Director

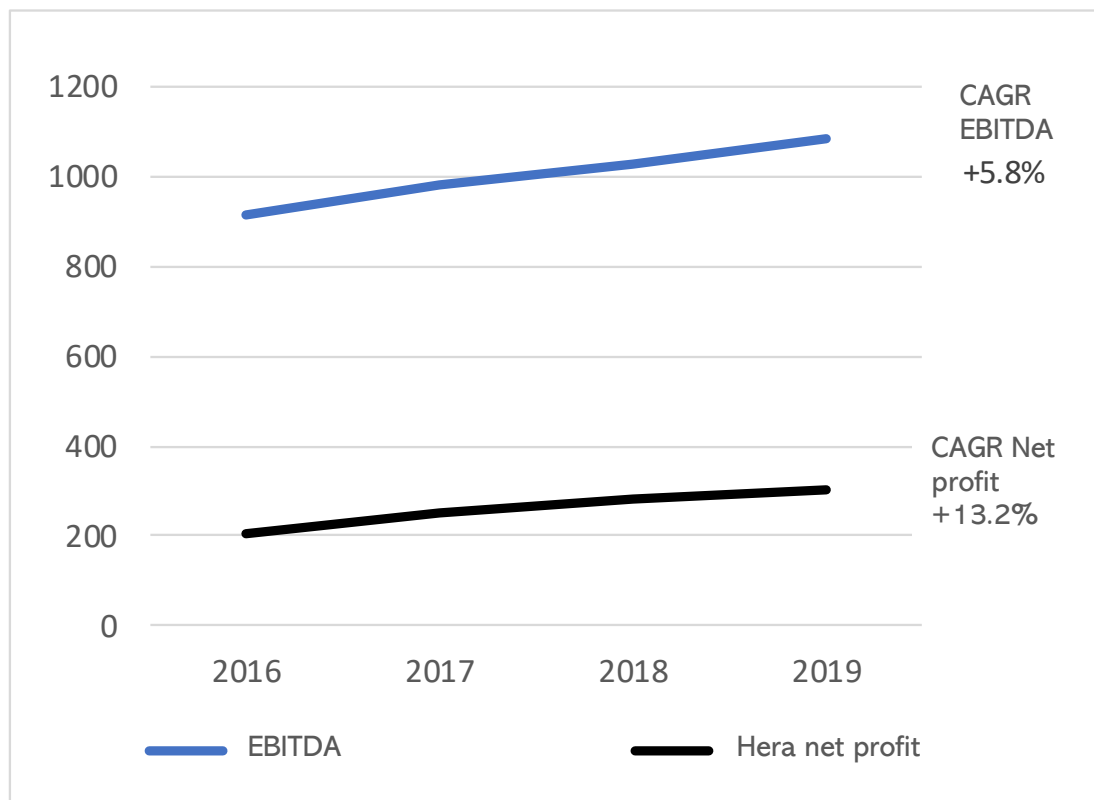
III. Pay for performance

The management trend has displayed growth in terms of economic results, with an increase in gross operating margin (EBITDA) of over 5% and net profit at a double-digit rate, exceeding the expectations of both the 2022 business plan and all financial analysts; financial management has also shown an improvement in the debt and EBITDA ratio, which fell below 2.48 (not considering the Ascopiave transaction). During 2019, Hera shares enjoyed one of the best performance periods since being listed on the stock exchange (2003), showing a rise of 46.2% (compared to the peer average of 31.1%) and a total shareholders' return (the shareholders' remuneration in terms of capital gain and dividends) equal to 50% (compared to the peer average of 35.9%).

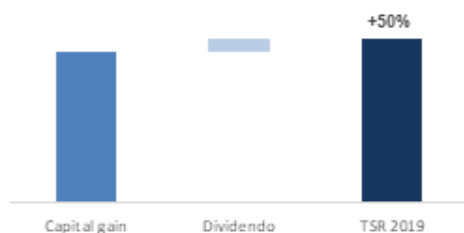
In the last 3 years, the period coinciding with both the mandate of the Board of Directors and the long-term incentive system (2017-2019 retention plan), economic results have steadily improved both in terms of EBITDA, which rose by 18.5% over the three-year period, and net profit, increasing by approximately 58% (not considering the effects of the Ascopiave transaction). In the three-year period, the company's stock also performed well, showing an 78.7% increase (compared to the peer average of 73.7%) and a total shareholders' return of 91.7% (compared to the peer average of 73.7%).

The results of the 2017-2019 three-year period underline the effectiveness of the remuneration system in encouraging a management approach focused on achieving objectives that are in line with shareholder remuneration.

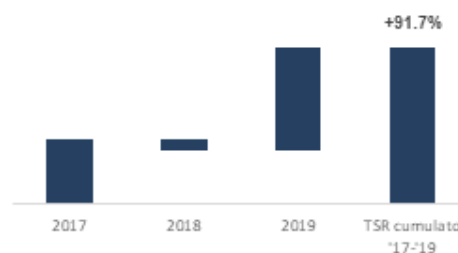
Economic growth in the 2017-2019 three-year period (mln/euro)



Total shareholders' return 2019



Total shareholders' return 2017-2019



IV. Shareholder engagement activities

Hera constantly monitors the analyses performed on the Group by financial analysts and ESG specialists in order to grasp changes in the concerns of stakeholders and the evolution of best practices, as well as to foster continuous improvement in the satisfaction of investor requests.

The Chairman of the Group was directly involved in the aforementioned reports and dialogues and he promoted and supervised the in-depth work, analysis, and maintenance of a continuous and constructive exchange of information and ideas.

Introduction

This document was drafted in compliance with the regulations of Article 6 of the Code of Self Discipline for listed companies issued by Borsa Italiana Spa, as well as with Article 123-ter of Legislative Decree no. 58/1998 (Testo Unico della Finanza, TUF), which requires listed companies to make available to the public a report on remuneration and allocated compensation prepared on the basis of the regulations laid out in article 84-quater and Annex 3A, Schedule 7-bis of the Regulation implementing the TUF adopted by Consob through resolution no. 11971 of 14 May 1999 (the "Issuer's Regulation").

This report also provides evidence of the investments held by the members of the Board of Directors, the members of the Board of Statutory Auditors, the General Managers or 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 25 March 2020, defines and illustrates:

- in section I, the policy Hera has adopted for the remuneration of top management, Directors, the Board of Statutory Auditors and the Operations General Manager, specifying the general aims pursued, the bodies involved and the procedures adopted for defining and implementing the policy;
- in section II, the compensation nominally paid in the 2019 financial year to the members of the administrative and control bodies and to the Operations General Manager.

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 to which the short-term variable component of remuneration is linked, on the basis of achieving pre-established individual and corporate objectives
Group	indicates all the companies included in the scope of consolidation of Hera S.p.A.
Deferred monetary incentive plan for management retention	indicates the incentive system adopted by the Group to which a variable component of deferred remuneration is linked, on the basis of achieving pre-established objectives for a selected number of managers.
RAL (Gross annual salary)	indicates the fixed gross annual component of remuneration for recipients having an employment relationship with one of the Group companies.
RDA (Direct annual remuneration)	RGA + annual accrued portion of the deferred variable component received by those who have an employment relationship with one of the Group companies.
RGA (Total annual remuneration)	RAL + variable annual component received by those who have an employment relationship with one of the Group companies.
Target RGA	RAL + maximum theoretical annual variable component that can be reached by those who have an employment relationship with one of the Group companies.
Company top management	indicates the top management of the Group: the 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, a category which includes the Operations General Director.

The fundamental principle which underpins the Group's culture and directs its choices is its commitment to combining economic and social value with the ultimate goal of satisfying the legitimate expectations of all stakeholders. Hera seeks to be a business that withstands the test of time and to improve society and the environment for future generations to come.

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

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

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 and to the Operations General Manager.

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 27 April 2018, as well as the Operations General Manager.

BOARD OF DIRECTORS	
Name, surname	Position held
Tomaso Tommasi di Vignano	Chairman
Stefano Venier	Chief Executive Officer
Giovanni Basile	Vice Chairman (independent)
Francesca Fiore	Director (independent)
Giorgia Gagliardi	Director (independent)
Massimo Giusti	Director (independent)
Sara Lorenzon	Director (independent)
Stefano Manara	Director (independent)
Danilo Manfredi	Director (independent)
Alessandro Melcarne	Director (independent)
Erwin P.W. Rauhe	Director (independent)
Duccio Regoli	Director (independent)
Federica Seganti	Director (independent)
Marina Vignola	Director (independent)
Giovanni Xilo	Director (independent)
BOARD OF STATUTORY AUDITORS	
Name, surname	Position held
Myriam Amato	Chairman
Antonio Gaiani	Standing auditor
Marianna Girolomini	Standing auditor
Stefano Gnocchi	Alternate auditor
Valeria Bortolotti	Alternate auditor
EXECUTIVES WITH STRATEGIC ROLES	
Name, surname	Position held
Roberto Barilli	Hera S.p.A. General Manager of Operations

3 Governance Model

3.01 Remuneration policy definition and approval process

The bodies and subjects involved in the preparation and approval 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 Section I of the report on remuneration policies and compensation paid.
Board of Directors	Defines, examines and approves the remuneration policy for the directors and executives of the Group, following a proposal from the Remuneration Committee.
Remuneration Committee	Formulates proposals to the Board of Directors for the remuneration of the Chairman, Vice Chairman, CEO and the Operations General Manager, as well as regarding the adoption of general remuneration criteria for managers.
Chairman	Proposes the policies for Group executives to the Remuneration Committee.
Personnel and Organization 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 Chairman, Vice Chairman, CEO and the General Manager, as well as based on the suggestions put forward by the CEO, for the adoption of general remuneration criteria for managers.

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

In the performance of its functions, the Remuneration Committee has access to the information and business functions necessary for carrying out its duties.

This Committee, initially set up at the meeting of the Board of Directors on 4 November 2002 and most recently renewed, in its latest format, on 10 April 2017, comprises the following non-executive, independent directors: Giovanni Basile acting as Chairman, Francesca Fiore, Massimo Giusti and Stefano Manara. Note that Chairman Giovanni Basile, as well as member Massimo Giusti, has experience in accounting and finance, deemed suitable by the Board of Directors at the time of their appointment.

The Committee met once in 2019, and this meeting was attended by all the members.

Composition of the Remuneration Committee			
Giovanni Basile (Chairman)	Majority list	1/1 meetings	1 meeting in 2019 Length of the meeting: 2 hours
Francesca Fiore	Minority list	1/1 meetings	
Massimo Giusti	Minority list	1/1 meetings	
Stefano Manara	Majority list	1/1 meetings	

The committee is composed entirely of non-executive, independent members.

Upon the express invitation of the Chairman of the Remuneration Committee, the Chairman, the Chief Executive Officer and the Organization and Personnel General Manager participated in the work of the Committee.

The single meeting of the Remuneration Committee, duly recorded in the minutes, was approximately two hours long.

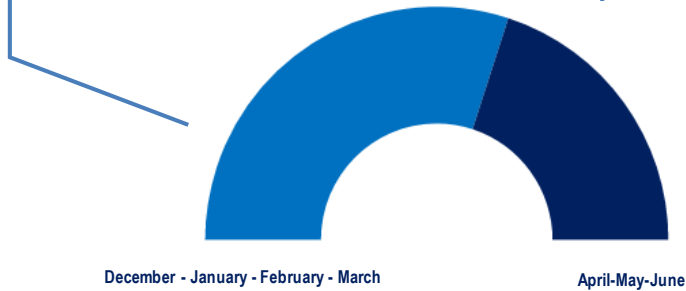
3.02.01 Remuneration Committee cycle of activity

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

Verification, updating and approval of the proposal through:

- short-term incentive scheme (Dec-Gen)
- deferred monetary incentive scheme for management retention (Dec-Gen)
- executives' social incentive plan (Dec-Gen)
- presentation of remuneration report (Feb-Mar)
- approval of executive remuneration guidelines (Feb-Mar)

- final accounting of the short-term incentive system
- final accounting of the deferred monetary incentive system for management retention (annual share accrued)
- final accounting of the social incentive plan for executives
- Final accounting of variable remuneration for top management
- updating the remuneration of top management
- updating on trends in remuneration policies, incentive systems and job evaluation methods



3.02.02 Activities carried out and planned

During the meeting held during the 2019 financial year, regularly recorded in the minutes, the following subjects were discussed:

- 2018 final balance - variable component - company objectives and 2018 corporate welfare;
- final balance of 2018 variable remuneration for company top management;
- 2019 remuneration policies - managers and executives (RAL, RGA, RDA);
- final balance of long-term incentive plan for Hera Group management - 2018;
- remuneration of the Operations General Manager.

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 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, pursuing the main goal of creating sustainable value 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 retain directors
- striking a balance between indicators of economic-financial performance, financial solvency, shared value creation (with the economic and financial indicators of all development projects aligned with the goals defined in the 11 SDGs identified by the United Nations), customer satisfaction, and ESG sustainability in defining both short and long-term variable incentive systems;
- maintaining consistency between the Company's risk profile and the executive compensation package mix.

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.

Precisely in order to stress that it is coherent with the risk profile, the current remuneration policy involves a (variable remuneration) annual incentive plan based on a multi-faceted BSC system, with the objective of balancing the various perspectives of company stakeholders (reference shareholders, the market, institutional investors, customers, employees, the environment, the local area, etc.) with regard to the creation of value, sustainable performance and dividend development and policy;

In relation to the consistent growth of the Group 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, including in terms of the ability to create shared value, while consolidating the culture of financial solidity within the Group and, therefore, maintaining a conservative risk profile. This 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 added value as a parameter/objective, the retention plan further strengthens the Company's focus on shareholders' interests. 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 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 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.

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 new 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; realization), 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 competence has been 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.

Since 2017, the new leadership model has replaced the previous one in all the human resource management processes, including the process of performance management.

The assessment of the behaviours outlined by the leadership model is therefore an integral part of the remuneration policy for the Group's executives and also represents a part of the short-term individual objectives included in the BSC.

5 Balancing compensation and remuneration elements

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.

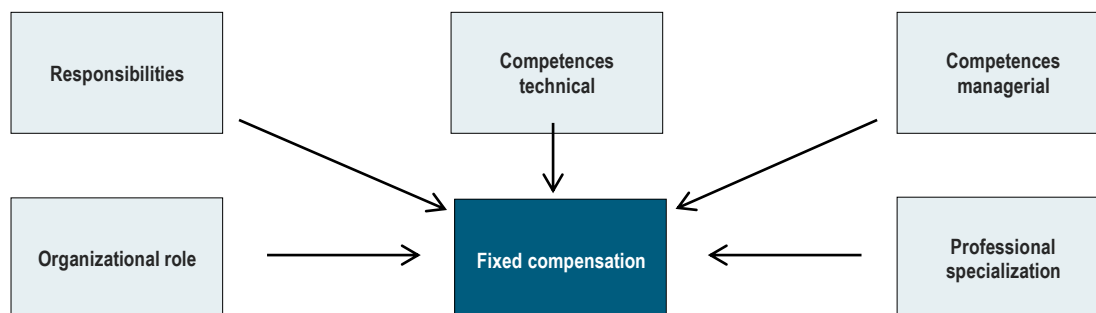
The fundamental components of remuneration for Hera Group Directors are:

- 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 organizational 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 244 companies, 31% of which are Italian and 69% foreign. 15.2% 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 BSC system

5.02.01 Recipients

The scope of the BSC system extends to include all Hera S.p.A. and Group subsidiary company Directors and Executives. The scope includes 44 Directors and 108 Executives. A similarly arranged evaluation form is also envisaged for the Chairman and the CEO. 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 (RAL), divided by category of recipient:

■ Chairman and CEO	40% of the RAL
■ Directors	25% of the RAL
■ A-class executives:	22% of the RAL
■ B-class executives:	17% of the RAL

Executives are expected to have a maximum of two separate variable remuneration levels, based on the weight of the manager within the organization and the strategic value of the executive's duties.

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:

- objective-oriented projects, defined according to the Group's Strategic Map, including projects (both short- and long-term) aimed at enhancing the Corporate Social Responsibility profile;
- economic objectives of the individual Budget Units, evaluated through economic-financial type indicators;
- evaluation based on the extent of adoption of the types of behaviour set out in the leadership model adopted by the Group.

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

5.02.03 Performance measurement

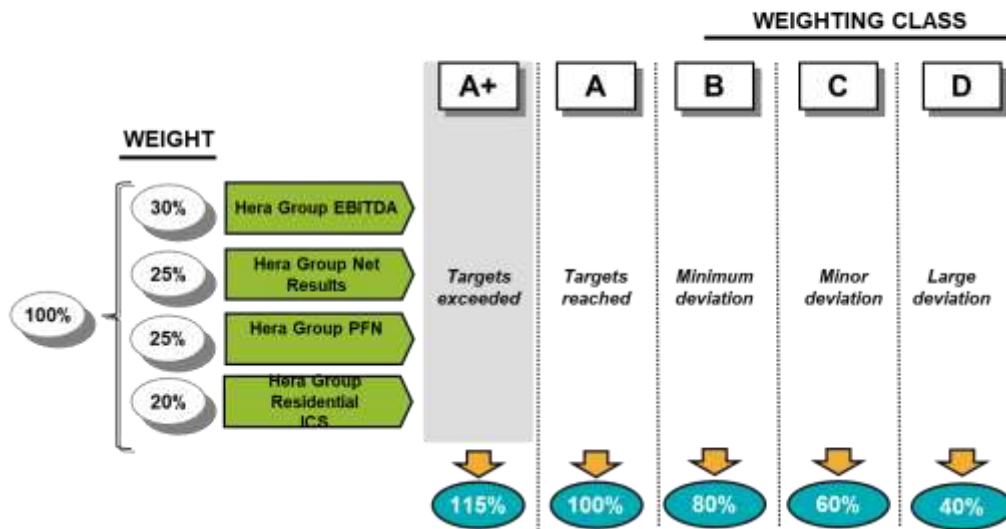
The Committee defines a target at the beginning of each reference period and for each objective. The amount of the bonus to be paid to each recipient is determined according to whether the set targets are actually reached (result) and the specific weight of the individual objective.

The result of the evaluation carried out using the aforementioned individual BSC system is weighted through a company results profile, which takes into account the performance recorded by the Group with reference, for 2019, to four parameters:

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

On the basis of the performance profile achieved by the Company on these four parameters, the weighting percentage to be applied to the individual individual results is defined in a range from 115% of the bonus (in the event of performance beyond that set out in the established company targets) and 40% of the bonus (in the event that performance is significantly below set company targets) according to the following scheme:

Corporate performance targets



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. All the indicators in class D cause the weighting percentage to be reduced to zero.

For 2019, the target values of the four weighting parameters are:

- Hera Group EBITDA: 1,067 mln
- Hera Group Net Profit: 308 mln
- Hera Group PFN: 2,780 mln
- Hera Group Residential ICS: 70

The maximum variable, short-term bonus, expressed in percentage terms of gross annual fixed compensation, varies according to the results of the incentive system and the office held by the recipient, specifically:

- for the Executive Chairman and Chief Executive Officer: a maximum variable remuneration of 46% of the total gross fixed compensation [(46%) = maximum individual variable (40%) x maximum company weighting (115%)];
- for directors: a maximum variable remuneration of 28.8% of the total gross fixed compensation [(28.8%) = maximum individual variable (25%) x maximum company weighting (115%)];
- for executives: there are two distinct levels of maximum variable remuneration based on the weight of the executive within the organization and the strategic importance of the executive's tasks :, equal to 25.3%, respectively [(25.3%) = maximum individual variable (22%) x maximum company weighting (115%)] of the total gross fixed remuneration and 19.6% [(19.6%) = maximum individual variable (17%) x maximum company weighting (115%)] and 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)	Maximum individual variable (B)	Maximum variable compensation (AxB)
Chairman and Chief Executive Officer	115%	40%	46%
Directors	115%	25%	28.8%
A-class Executive	115%	22%	25.3%
B-class Executive	115%	17%	19.6%

The BSC system entails a series of quali-quantitative assessments for the Directors/Executives listed below.

1. a quarterly assessment that is also shared in the management review (Management Committee);
2. 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;
3. any instances of outperformance are taken into consideration during the revised budget;
4. the assessment of projects is quali/quantitative.
5. the evaluation of behaviors in keeping with the model takes place with the recipient's superior, who specifically assesses the executive's behavior according to the 8 dimensions identified by the leadership model:
 - a) Energy and decision
 - b) Realization
 - c) Cooperation
 - d) Influence
 - e) Excellence and simplification
 - f) Complexity management
 - g) Innovation
 - h) Valorisation of people

This assessment system (described in section 4.3) encourages management not only to achieve the individual targets set, but also to implement behaviours that give rise to intangible value inside and outside the organization, important for granting greater strength and concreteness to the company's values in the daily work of all employees.

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

Component	Description	Example: outperforming company targets and maximum individual achievement	Example: meeting company targets and maximum individual achievement
A	Gross annual salary (€)	€ 100,000	100,000
B	Target Bonus (% RAL)	25%	25%
C	Target Bonus (€) = A x B	25,000	25,000
D	Individual objectives achieved (%)	100%	100%
E	Company performance weighting coefficient (%)	115%	100%
F	Amount of bonus paid (€) = C x D x E	28,750	25,000

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. This discretionary bonus has not been awarded to either the Chairman or the CEO.

5.03 Deferred, long-term variable compensation: Management retention plan

In its 22 March 2016 meeting, the Board of Directors approved that a retention plan be applied to a limited number of executives, taking into account the weight of their organizational positions and the performance evaluations they achieved in the development process, and market risk.

The Board of Directors has also deemed it appropriate to set up an annual evaluation mechanism for accessing and renewing/not renewing the awarding of the monetary plan.

The Board of Director's decision to introduce 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.

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 parameter of developing individual managerial skills considers the level achieved by recipients in the three-year period in relation to the 8 dimensions identified by the leadership model:

- a) Energy and decision
- i) Realization
- j) Cooperation
- k) Influence
- l) Excellence and simplification
- m) Complexity management
- n) Innovation
- o) Valorization of people

If the recipient shows maximum achievement in each of the 8 dimensions mentioned above in the three-year period, the level of individual managerial skills is included in calculating the bonus dictated by the retention plan at a maximum value of 100%.

The incentive awarded in 2016 matured over 2016 - 2017 - 2018 and was disbursed in 2019. For the Chief Executive Officer, the maximum three-year incentive value is 100% of the fixed annual remuneration (RAL) in the event that he/she outperforms corporate targets over the three-year period.

For the rest of Group management covered by the retention plan, the maximum three-year incentive is 100% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the gross annual fixed remuneration, or 33% of the gross annual fixed remuneration) or 50% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the gross annual fixed remuneration, or 16.67% of the gross annual fixed remuneration); variations in the amount of bonus assigned to various recipients is based on

the weight of the organizational position, the performance evaluation achieved as part of the development process and the market risk involved.

The evaluation parameter of "developing individual managerial skills" does not apply to the Chief Executive Officer, as these same evaluation elements are considered to already be expressed by the achievement level of Group KPIs. If both company performance and managerial skills are found to be below the expected level, the result will be 0%. Intermediate achievement levels between 0% and 100% are also envisaged, depending on different combinations of company performance and managerial skills achievement.

The calculation model for the maturation of the annual retention plan quota and of the bonus to be paid after the end of the reference three-year period is shown below.

Maturation of three-year bonus



Payout of bonus at the end of the three-year period



For the 2019-2021 three-year period, the retention plan is to evolve in terms of the parameter relating to the strategic objectives of the Group; three-year KPIs have been introduced that differ from those of the short-term incentive plan (BSC) and which further enhance the ability to create and share value, as well as further consolidating the Group's culture of financial solidity in the long term more fully aligned with the interests of stakeholders.

In particular, as established by the Board of Directors at the 19 December 2018 meeting, following the proposal by the Remuneration Committee, this evolution is based on the following new elements:

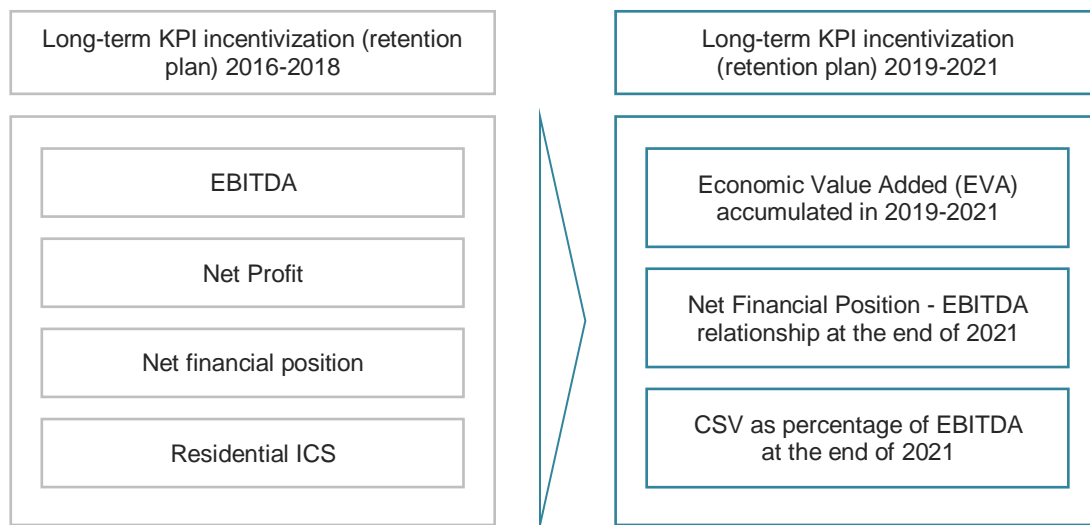
- change of objectives → differentiate the elements of evaluation of the Long-Term Incentive Plan from those of the Short-Term one (BSC) and adopt specific objectives with a clear business plan perspective;
- modification of the disbursement Plan → for current recipients, limit the risk of them abandoning their positions at the moment of the May 2019 disbursement;
- updating the list of potential recipients in line with the general criteria applied to 2018.

With regard to the first macro area (change of objectives), the proposed new structure aims to increase the bonus in proportion to the degree to which the set objective has been achieved.

Consequently, for the 2019-2021 three-year period, the type of objectives set was modified through the use of three new parameters (weighted equally):

- economic-financial indicator: Economic Value Added (EVA) or the cumulative target value for the 2019-2021 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 2021 between the Net Financial Position and EBITDA;
- the target percentage of Created Shared Value (CSV) on EBITDA at the end of the 2021 financial period.

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



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

- EVA: 377 mln with a WACC of 4.5%
- PFN/EBITDA: 2.84
- %CSV: 40%

The maximum amount of the bonus associated with the new 2019-2021 retention plan (scheduled for disbursement in May 2022) is determined on the basis of the following calculation: the April 2022 Annual remuneration Lord (RAL) of the recipient multiplied by the percentage of allocation of the incentive (50% or 100%, depending on the percentages laid out in the attribution system described above for managers), multiplied by the level of achievement of the new pre-set corporate performance targets (maximum value of 100% in the event of exceeding all KPIs) and multiplied by the evaluation parameter of developing individual managerial skills (according to a three-year average, with a value of 100% if the assessment finds maximum achievement).

If both company performance and managerial skills are found to be below the expected level, the result will be 0%. Intermediate achievement levels between 0% and 100% are also envisaged, depending on different combinations of company performance and managerial skills achievement.

In keeping with current functioning, the evaluation parameter of developing individual managerial skills does not apply to the Chief Executive Officer.

With regard to the second macro area (modification of the disbursement plan), the bonus is to be paid in the month of May of the 4th year, provided that the recipient is still part of the workforce.

In order to limit the risk of post-payment quitting - for recipients confirmed to be covered by the new Long-Term Incentive Plan - in May of the second year (i.e. in 2020) the theoretical sum accrued for the first year of the 2019-2021 three-year period (advance on the first year equal to one third of the overall three-year bonus, that is, 33.33% or 16.67% of the RAL) will instead be paid in the form of an "advance" (withheld in the event that the employment relationship is terminated).

The payout of the remaining portion (equal to two-thirds of the bonus) is instead scheduled for 2022 (that is, at the end of the three-year period). 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).

Finally, with regard to the third macro area (updating of potential recipients), the following general criteria apply:

- applying the retention plan to a limited number of executives, based on gauging their organizational position, performance evaluation achieved in the development process, and seniority;
- 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 based on the operating model, also in view of assessment criteria based on current market risk of the professional profile in question.

5.04 Non-monetary benefits and social incentive 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. Executives who hold specific organizational positions are also to be assigned a company car for business and personal use.

Furthermore, beginning in 2017, an incentive 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.

Payout is directly linked to the level of achievement of the Group KPIs already used as to weight the results of the BSC system following a scheme which, for each individual indicator, allows the bonus to be accessed only if performance exceeds the target associated with that indicator.

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: there is a maximum social bonus equal to 6% of 40% of the total gross fixed remuneration (equivalent to 2.4% of the RAL);
- directors: there is a maximum social bonus equal to 6% of 25% of the total gross fixed remuneration (equivalent to 1.5% of the RAL);
- executives: there are two separate levels of maximum social bonus, equal to 6% of 22% of the total gross fixed remuneration (equivalent to 1.3% of the RAL) and 6% of 17% of the total gross fixed remuneration (equivalent to 1% of the RAL), 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 385 euro in 2019.

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 and the Operations General Manager

6.01 Non-executive Directors

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

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

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

- executive Directors: the Chairman of the Board of Directors Tomaso Tommasi di Vignano and the CEO Stefano Venier;
- non-executive directors: the Vice Chairman of the Board of Directors Giovanni Basile, and Directors Francesca Fiore, Giorgia Gagliardi, Massimo Giusti, Sara Lorenzon, Stefano Manara, Danilo Manfredi, Alessandro Melcarne, Erwin P.W. Rauhe, Duccio Regoli, Federica Seganti, Marina Vignola and Giovanni Xilo.

With regard to non-executive directors, following their appointment, the Shareholders' Meeting on 27 April 2017 established that they receive a gross annual payment of 40,000 thousand euro, in addition to 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 the HERA Group committees (Executive Committee, Remuneration Committee, Control and Risks Committee and Ethics and Sustainability Committee) decided to award these Directors a total sum of 20,000 thousand euro gross per year.

The same Board of Directors decided, on 28 June 2017, to award the Vice Chairman a fixed annual sum of 85,000 thousand 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	2017 compensation	2018 compensation	2019 compensation
Vice Chairman	85,000 euro	85,000 euro	85,000 euro
member of the Board of Directors	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

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 and the Operations General Manager

With regard to the offices of Executive Chairman and Chief Executive Officer, a fixed annual remuneration of 380 thousand euros, gross, was confirmed for each of them, just as the previous year (as resolved by the Board of Directors on 28 June effective 27 April 2017, thus entailing a period of effectiveness less than the entire year, for 2017), inclusive of the compensation established for the office, as well as for 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 Chairman, CEO and Operations General Manager 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, carrying out comparisons with the market, and applying an incentive scheme based on the BSC system.

As for the variable component of short-term compensation, a variable compensation linked to the achievement of the Group's performance objectives was confirmed for the Executive Chairman and Chief Executive Officer for 2019 as follows: a bonus equal to 40% of the fixed annual remuneration to be awarded in relation to the achievement of 2019 target economic-financial results (PFN, EBITDA and net result) and the results of the 2019 customer satisfaction survey (LCS), and in compliance with the weighting criteria already applied to the individual results achieved by the population of directors and executives included in the BSC system.

Calculation of having reached company targets in 2018 (paid out in May 2019):

Weights (A)	KPI	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mln/euro)	1,003	1,031.1	Exceeded	115%	(A+) 34.5%
20%	Net profit (mln/euro)	280	296.6	Exceeded	115%	(A+) 23.0%
25%	PFN (mln/euro)	2,525	2,585.6	Reached	100%	(A) 25.0%
25%	Residential ICS	70	71	Exceeded	115%	(A+) 28.8%
100%						111.3%

The variable short-term bonus for 2018 was therefore 44.5% (111.3.0% x 40%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 46% of the fixed gross annual remuneration).

The executive directors have no obligation to use their remuneration to invest in Hera shares.

As part of the tools for retaining executive management (at high market risk), a deferred variable remuneration was introduced for the CEO linked to the achievement of the economic-financial results of the Group in the years 2019, 2020 and 2021. The relative maximum economic value for the three-year reference period will be 100% of the RAL, with payout scheduled for the end of the 2021 financial year, upon approval of the associated financial statements by the Shareholders' Meeting, and on the condition that it is still in service for all intents and purposes in the Group companies as of that date.

Since the Chief Executive Officer has been confirmed as being among the beneficiaries in the new long-term incentive plan - the theoretical sum accrued for the first year of the 2019-2021 three-year period (advance of the first year of 33.33%) is expected to be disbursed in May of the second year (i.e. in 2020) by way of an advance (to be repaid in the event the employment relationship is terminated).

The payout of the remaining portion (66.67%) is instead scheduled for 2022 (that is, at the end of the three-year period). 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).

Furthermore, beginning in 2017, an incentive plan was introduced for the 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 equal to 6% of the individual theoretical variable, specifically 6% of 40% of the total of fixed gross remuneration (equivalent to 2.4% of the total of fixed gross compensation).

Finally, in keeping with the implementation of the Group welfare plan launched in 2016, the Chairman, by virtue of his position as a Group executive, is also granted access to a Flexible Benefit plan which entailed the allocation of a share of 385 euro in 2018.

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

Chairman	
Annual gross compensation	€ 380,000
Short-term variable compensation (max. 46% of the RAL)	€ 174,800
Social incentive plan (max. 2.4% of the RAL)	€ 9,120
Total	€ 563,920

Chief Executive Officer	
Annual gross compensation	€ 380,000
Short-term variable compensation (max. 46% of the RAL)	€ 174,800
Social incentive plan (max. 2.4% of the RAL) + Flexible Benefit plan	€ 9,505
Deferred variable compensation (annual pro-quota max. 33% of the RAL)	€ 126,667
Total	€ 690,972

The following table shows the weight of the various components of remuneration in relation to the total gross annual amount (the theoretical maximum remuneration if all corporate targets were to be exceeded):

Position	Compensation	euro	Composition of compensation package
Chairman	Annual gross salary	380,000	<ul style="list-style-type: none"> ■ Annual gross salary (RAL) ■ short-term variable, max target ■ social incentive plan, max target
	Maximum target RGA	554,800	
	Maximum target RDA	554,800	
	Maximum target RDA + Maximum social incentive plan	563,920	
Chief Executive Officer	Annual gross salary	380,000	<ul style="list-style-type: none"> ■ annual gross salary (RAL) ■ short-term variable, max target ■ deferred variable, max target (annual component) ■ social incentive plan, max target
	Maximum target RGA	554,800	
	Maximum target RDA	681,467	
	Maximum target RDA + Social incentive plan	690,972	

For the Operations General Manager, there is a variable annual compensation equal to 25% of the total fixed gross remuneration on having achieved 100% of the set objectives; The individual result is then weighted in relation to a company results profile that takes into account the performance recorded by the Group with reference to the current year. The weighting envisages a maximum growth of individual results equal to 15%, thus generating a maximum variable remuneration equal to 28.8% of the total fixed gross remuneration.

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

Furthermore, beginning in 2017, an incentive plan was introduced for the Operations General Manager 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 equal to 6% of the individual theoretical variable, specifically 6% of 25% of the total of fixed gross remuneration (equivalent to 1.5% of the RAL).

Finally, in keeping with the implementation of the Group welfare plan launched in 2016, the Operations General Manager, by virtue of his position as a Group executive, is also granted access to a Flexible Benefit plan which entailed the allocation of a share of 385 euro in 2018.

7 Compensation

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

With the renewal of the Board of Directors that took place as part of the Chareholders' Meeting held 27 April 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 labor contract.

7.02 Claw-back clause

With the renewal of the Board of Directors that took place as part of the Chareholders' Meeting held 27 April 2017, the claw-back clause was inserted that establishes ex-post corrective mechanisms for the executive directors' remuneration system.

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 27 April 2017, 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 27 April 2017 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, defining the aforementioned fees to also include fees due to the members of the Board designated as members of the Board of Statutory Auditors in companies whose share capital was fully held, directly or indirectly, by Hera Spa.

Office	2017 compensation	2018 compensation	2019 compensation
Chairman	120,000 euro	120,000 euro	120,000 euro
Standing Auditors	80,000 euro	80,000 euro	80,000 euro
Alternate Auditors	---	---	---

In accordance with the provisions of the current Corporate Governance Code, the remuneration of the Statutory Auditors is believed to be commensurate with the competence, professionalism and commitment required and the significance of the role held, as well as the size and sectorial characteristics of the Company.

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, as well as General Manager, with the aim of highlighting the 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 Chairman, Chief Executive Officer and Vice Chairman) in the Group companies, in the Remuneration Committee, Risks and Controls 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.

The value of the bonus received in 2019 by each figure is also indicated, in relation to the degree of achievement of the targets set in the previous year.

9. Description of the compensation paid to Directors and General Managers

This section contains the details of payments made during 2019, with reference, as far as the variable part is concerned, to the accrual criterion.

9.01 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 Group's subsidiary and associate companies. Note that during 2019 he received a monetary bonus based on the results of the previous year, equal to 169,100.00 euro, following the achievement of an overall performance index of 111.3%. With reference to the 2018 Social Incentive Plan, he also accrued the right to an additional bonus of 6.840.00 euro that can be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 75%.

9.02 Chief Executive Officer

The fixed compensation paid to Stefano Venier is composed exclusively of gross annual remuneration as a Group executive and also includes all services/offices held in the Hera Group's subsidiary and associate companies.

Note that during 2019 he received, as short-term variable remuneration, a monetary bonus based on the results of the previous year, equal to 169,846.91 euro, following the achievement of an overall performance index of 111.3%.

Furthermore, with reference to the deferred variable remuneration for management retention, he was paid an overall bonus for the 2016-2018 three-year period equal to 371,118.97 euro subsequent to the following overall performance indices:

- 100% in 2016 with the related accrued amount equal to 117,226.15 euro
- 100% in 2017 with the related accrued amount equal to 126,666.67 euro
- 100% in 2018 with the related accrued amount equal to 127,226.15 euro

These accrued amounts are the result of class A/A + achievement of the four Group weighting parameters outlined below for the 2016-2018 three-year period:

2016

Weights (A)	KPI	Target	Result achieved	Result as compared to the target
30%	EBITDA (mln/euro)	892.9	916.7	(A+) Exceeded
25%	Net profit (mln/euro)	203	220.4	(A+) Exceeded
25%	PFN (mln/euro)	2,665	2,558.9	(A) Achieved
20%	Residential ICS	69	70	(A+) Exceeded
100%				

2017

Weights (A)	KPI	Target	Result achieved	Result as compared to the target
30%	EBITDA (mln/euro)	960	984.6	(A+) Exceeded
25%	Net profit (mln/euro)	246	266.8	(A+) Exceeded
25%	PFN (mln/euro)	2,690	2,523	(A+) Exceeded
20%	Residential ICS	70	70	(A) Achieved
100%				

2018

Weights (A)	KPI	Target	Result achieved	Result as compared to the target
30%	EBITDA (mln/euro)	1,003	1,031.1	(A+) Exceeded
20%	Net profit (mln/euro)	280	296.6	(A+) Exceeded
25%	PFN (mln/euro)	2,525	2,585.6	(A) Achieved
25%	Residential ICS	70	71	(A+) Exceeded
100%				

With reference to the 2018 Social Incentive Plan, he also accrued the right to an additional bonus of 6,870.12 euro that can be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 75%, to be added to the 385 euro accrued under the corporate welfare plan by virtue of his position as a Group executive.

9.03 Vice Chairman

For holding the office of Vice Chairman, Mr. Giovanni Basile was paid the fixed compensation of 85 thousand euro established as compensation for this office.

9.04 Non-executive Directors

Francesca Fiore, Giorgia Gagliardi, Massimo Giusti, Sara Lorenzon, Alessandro Melcarne, Stefano Manara, Danilo Manfredi, Erwin P.W. Rauhe, Duccio Regoli, Federica Seganti, Marina Vignola and non-executive directors of the company, received fixed remuneration (equal to 40,000 euro) for holding the position of director and additional compensation for participating in committees or in the boards of subsidiary or associated companies, as laid out by the remuneration policy of the Group.

9.05 General Manager

The Operations General Manager, Roberto Barilli, received compensation of 358,506 euro in the form of gross annual remuneration. Note that during 2019 he received short-term variable remuneration (BSC) with regard to the results achieved in the previous year, equal to 94,273.28 euro, following the achievement of an individual performance index of 99% and a Group performance index of 111.3%.

With reference to the Social Incentive Plan, he also accrued the right to a bonus of 3,850.09 euro that can be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 75%, to be added to the 385 euro accrued under the corporate welfare plan by virtue of his position as a Group executive.

9.06 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.

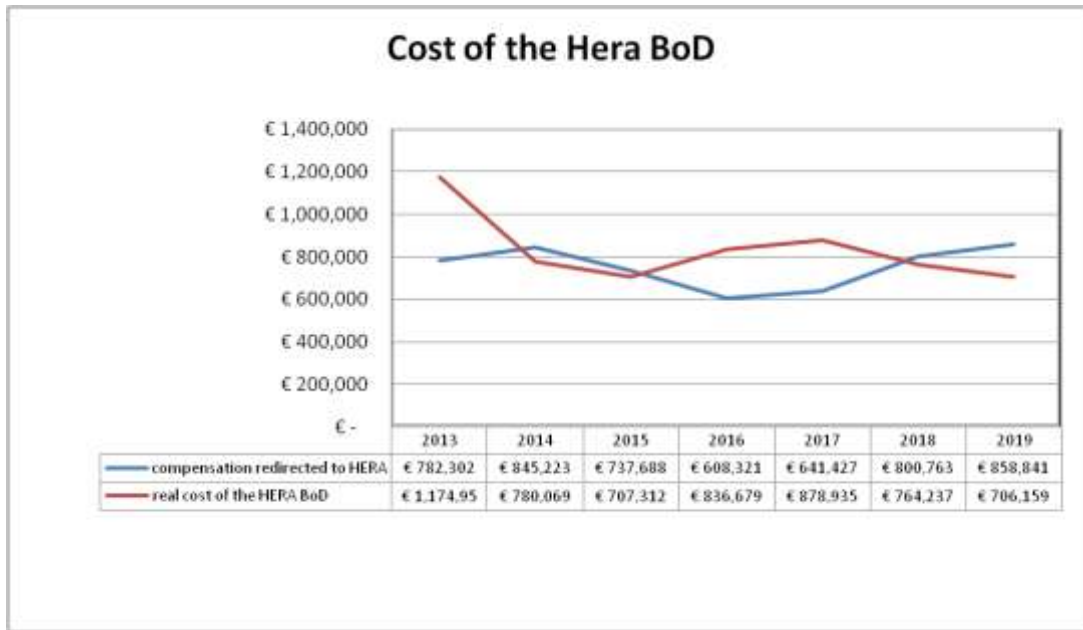
9.07 Compensation received in Group companies

Remuneration for the Executive Directors, Directors, Operations General Manager and Executives for positions held in Group company structures and/or committees, are redirected in their entirety to Hera SpA. The total redirected to the Parent Company for the year 2019 was approximately 858,841 euros.

The cost of the Hera Spa Board of Directors for the year 2019 was 706,159 euro, net of remuneration amounting to 858,841 euro (for a gross total amount of 1,565,000 euro) received by Hera for the participation of directors/executives in the administrative bodies of its affiliates.

The trend of a reduction in the actual cost of the Board of Directors thus continued, and for 2019 is a result of the increase in fees collected by Hera for the participation of directors/executives in the corporate bodies of its affiliates, without prejudice to the compensation paid to the directors of the Parent Company.

Cost of the Hera SpA BoD



Bologna, 25 March 2019
 The Chairman of the Board of Directors
 (Tomaso Tommasi di Vignano)

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

Administrative body

First and Last name	Office	Period in office	Expiry of term of office	Fixed Compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment termination
						Bonuses and other incentives	Profit sharing					
Tomaso Tommasi di Vignano	Chairman	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				380,000		169,100		11,524	1,824	562,448		
(II) Compensation from subsidiaries and associated companies												
(III) Total				380,000		169,100		11,524	1,824	562,448		

Notes

Includes 5,540 of welfare matured in 2019

First and Last name	Office	Period in office	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment termination
						Bonuses and other incentives	Profit sharing					
Stefano Venier	Chief Executive Officer	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				383,937		540,966		25,249	2,201	952,353		
(II) Compensation from subsidiaries and associated companies												
(III) Total				383,937		540,966		25,249	2,201	952,353		

Notes

Includes 371,119 of deferred variable compensation for management retention

Includes 7,287 of welfare matured in 2019

First and Last	Office	Period in office	Expiry of term	Fixed	Compensation for	Variable non-equity	Non-	Other	Total	Fair value	Compensation
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name	of office	compensation	participation on committees	compensation		monetary benefits	compensation	of equity compensation	for end of mandate
				Bonuses and other incentives	Profit sharing				
Giovanni Basile	Vice Chairman	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19						
I) Compensation in the company preparing the financial statements				85,000		4,233		89,233	
(II) Compensation from subsidiaries and associated companies									
(III) Total				85,000		4,233		89,233	
Notes									

First and Last name	Office	Period in office	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non- monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Francesca Fiore	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			468		60,468		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			468		60,468		
Notes				I) as a member of the Remuneration Committee								

First and Last name	Office	Period in office	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non- monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Giorgia Gagliardi	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000				308		40,308		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				308		60,308		
Notes				II) for offices held in Group companies								
First and Last name	Office	Period in office	Expiry of term	Fixed	Compensation for	Variable non-equity	Non-	Other	Total	Fair value	Compensation	

	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Massimo Giusti	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			545		60,545		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			545		60,545		

Notes

I) as a member of the Remuneration Committee and Chairman of the Ethics and Sustainability committee

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Sara Lorenzon	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			308		60,308		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			308		60,308		

Notes

I) as a member of the Control and Risks Committee

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Stefano Manara	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			518		60,518		

(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000		518			60,518		
Notes				I) as a member of the Remuneration Committee								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Danilo Manfredi	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000				413		40,413		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				413		60,413		
Notes				II) for offices held in Group companies								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Alessandro Melcarne	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			305		60,305		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			305		60,305		
Notes				I) as a member of the Executive Committee								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Duccio Regoli	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			776		60,776		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			776		60,776		
Notes				I) as a member of the Control and Risks Committee								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Federica Seganti	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000	20,000			496		60,496		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			496		60,496		
Notes				(I) as a member of the Ethics and Sustainability Committee								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Marina Vignola	Director	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000				404		40,404		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				404		60,404		
Notes				II) for offices held in Group companies								

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Giovanni Xilo	Director	1-gen -19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				40,000				776		40,776		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				776		60,776		
Notes				II) for offices held in Group companies								

Control body

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Myriam Amato	Chairman of the Board of Statutory Auditors	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				120,000				347		120,347		
(II) Compensation from subsidiaries and associated companies				83,828						83,828		
(III) Total				203,828				347		204,175		
Notes												

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Marianna Girolomini	Standing Auditor	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				80,000				468		80,468		
(II) Compensation from subsidiaries and associated companies				65,220						65,220		
(III) Total				145,220				468		145,688		
Notes												

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	Standing Auditor	1-Jan-19 31-Dec-19	Annual Financial Report approval at 31-Dec-19									
I) Compensation in the company preparing the financial statements				80,000				467		80,467		
(II) Compensation from subsidiaries and associated companies				59,365						59,365		
(III) Total				139,365				467		139,832		
Notes												

General Managers

First and Last name	Office	Period in office	Expiry of term of office	Compensation Fixed	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate
						Bonuses and other incentives	Profit sharing					
Roberto Barilli	General Manager of Operations	1-Jan-19 31-Dec-19										
I) Compensation in the company preparing the financial statements				358,506		94,273		22,470	2,261	477,510		
(II) Compensation from subsidiaries and associated companies												
(III) Total				358,506		94,273		22,470	2,261	477,510		
Notes												
								Includes 5,953 of welfare matured in 2019				

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

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 to be paid	Payable / Paid	Still deferred	
		Balanced Scorecard system (related approval date)	169,100						
Payments in the company preparing the financial statements		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			169,100						

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 to be paid	Payable / Paid	Still deferred	
		Balanced Scorecard system (related approval date)	169,847						
Payments in the company preparing the financial statements		Deferred variable for management retention (related approval date)	371,119						
		Plan C (related approval date)							
		Plan A (related approval date)							
Payments from subsidiaries and associated companies		Plan B (related approval date)							
Total			540,966						

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 to be paid	Payable / Paid	Still deferred	
Roberto Barilli	General Manager of Operations								
		Balanced Scorecard system (related approval date)	94,273						
Payments in the company preparing the financial statements		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			94,273						

Shareholdings by members of administrative and control bodies and General Managers

First and Last name	Offices in Hera Spa	Affiliate companies	No. of shares held at the end of the previous financial year	no. of shares purchased	no. of shares sold	No. of shares held at the end of the current financial year
Tomaso Tommasi di Vignano ⁽¹⁾	Chairman	Hera Spa	31,764	-	-	31,764
Stefano Venier	Chief Executive Officer	Hera Spa	-	-	-	-
Giovanni Basile	Vice Chairman	Hera Spa	-	-	-	-
Francesca Fiore	Director	Hera Spa	-	-	-	-
Giorgia Gagliardi	Director	Hera Spa	-	-	-	-
Massimo Giusti	Director	Hera Spa	-	-	-	-
Sara Lorenzon	Director	Hera Spa	-	-	-	-
Stefano Manara	Director	Hera Spa	-	-	-	-
Danilo Manfredi	Director	Hera Spa	-	-	-	-
Alessandro Melcarne	Director	Hera Spa	-	-	-	-
Erwin P.W. Rauhe ⁽²⁾	Director	Hera Spa	5,000	-	-	5,000
Duccio Regoli	Director	Hera Spa	-	-	-	-
Federica Seganti	Director	Hera Spa	-	-	-	-
Marina Vignola	Director	Hera Spa	-	-	-	-
Giovanni Xilo	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	-	-	-	-
Roberto Barilli	General Manager of Operations	Hera Spa	-	-	-	-

(1) indirect ownership, through spouse

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

Proposed resolutions

Dear shareholders,

- the Shareholders' Meeting is required to cast its binding vote on Section I of the report on remuneration policies and compensation paid, which refers to your Company's remuneration policies and the procedures used to adopt and implement this policy. If you share the contents indicated therein, we propose that you vote in favour of Section I of the report on remuneration policies and compensation paid by adopting 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 Hera Group report on remuneration policies and compensation paid".

- the Shareholders' Meeting is also required to cast its vote on Section II of the report on remuneration policies and compensation paid, which outlines the items comprising the compensation paid to the members of the administrative and control bodies and to the Operations General Manager.
If you share the contents indicated therein, we propose that you vote in favour of Section II of the report on remuneration policies and compensation paid by adopting 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, as well as the Operations General Manager:

resolves

to approve Section II of the Hera Group report on remuneration policies and compensation paid".

Hera Spa

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