



**HERA S.P.A.**

**Registered office in Bologna, Viale Carlo Berti Pichat no. 2/4**

**Share capital: EUR 1,489,538,745.00**

**Registered with the Register of Companies of Bologna**

**Registration number 04245520376**

***REPORT OF THE BOARD OF DIRECTORS ON  
ISSUES AT ITEMS 4, 5, 6 AND 7 ON THE AGENDA  
ORDINARY SESSION***

*of the Extraordinary and Ordinary Shareholders' Meeting of HERA S.p.A.*

*called on 29 April 2020 at 10 a.m. in one single call*

Dear Shareholders,

The Board of Directors of HERA S.p.A., called an Extraordinary and Ordinary Shareholders' Meeting at the Company's registered office – *Viale Berti Pichat n. 2/4, Bologna* – at “*Spazio Hera*” – on 29 April 2020, at 10:00 a.m. in single call, to discuss and resolve on the following:

#### Agenda

##### **Extraordinary Session**

1. Amendment to Articles 16 and 26 and cancellation of Article 34 of the Articles of Association, in compliance with provisions of Law no. 160 dated 27 December 2019: related and consequent resolutions.
2. Amendment to Article 17 of the Articles of Association, in compliance with Law no. 160 of 27 December 2019: related and consequent resolutions.

##### **Ordinary Session**

1. Financial statements as at 31 December 2019, Report on Operations, profit allocation proposal and Report of the Board of Statutory Auditors and the Independent Audit Report: related and consequent resolutions. Presentation of the consolidated financial statements as at 31 December 2019.  
Presentation of the Sustainability Report - Consolidated non-financial statement, drawn up pursuant to Italian Legislative Decree no. 254/2016.
2. Report on the remuneration policy and compensation paid: related and consequent resolutions.
3. Renewal of the authorisation to purchase treasury shares and ways of disposing the same: related and consequent resolutions.
4. Appointment of the members of the Board of Directors: related and consequent resolutions.
5. Determination of the remuneration of the members of the Board of Directors: related and consequent resolutions.
6. Appointment of the members of the Board of Statutory Auditors and Chairman: related and consequent resolutions.
7. Determination of the remuneration of the members of the Board of Statutory Auditors: related and consequent resolutions.

Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 sets out that, wherever not

provided for by other law provisions, within the publication terms of the call notice of the Shareholders' Meeting, the Board of Directors shall make available to the public a report on the items on the Agenda at the Company's registered office and on the Company's website, and in other ways, as provided for by CONSOB regulations.

Fourth issue on the Agenda.

**Appointment of the members of the Board of Directors: related and consequent resolutions.**

The Board of Directors of HERA S.p.A., consisting of 15 members, was appointed by the Shareholders' Meeting held on 27 April 2017 and will remain in office until the Shareholders' Meeting called for the approval of the 2019 financial statements.

\* \* \*

Article 17 of the Company's Articles of Association sets out that the members of the Board of Directors shall be elected on the basis of lists, lodged by Shareholders representing at least 1% of the share capital at an Ordinary Shareholders' Meeting. Shareholders are entitled to file lists aimed to appoint the fifteen members of the Board of Directors.

The number of candidates in said lists shall not exceed the number of members to be elected and candidates shall be listed by consecutive numbering. Each list must contain a number of candidates, belonging to the least represented gender, which ensures that the balance between genders is respected at least to the minimum extent required by current regulations. To this purpose, reference is made to amendments to the Articles of Association, items 1 and 2, Extraordinary Session, submitted to the Shareholders' Meeting for approval, resulting from the entry in force, as at 1 January 2020, of Law no. 160 dated 27 December 2019. The latter, superseding the former Law no. 120/11, has introduced new provisions concerning gender balance in the boards of directors and statutory auditors of listed companies.

Consequently, subject to the approval of the abovementioned amendments to the Articles of Association, the Board of Directors will be appointed in compliance with current regulations and pursuant to Article 17 of the Articles of Association, as updated following the above-mentioned amendments.

Lists must, on penalty of lapse, be filed at least twenty-five days prior to the date set for the Shareholders' Meeting and shall be made available to the public at the Company's registered office and website at least twenty-one days prior to the date set for the Shareholders' Meeting. Each filed list shall be complete with the indication of the identity of the presenting Shareholders and the total

percentage of the shareholding held. The communication from the broker certifying the ownership of the shareholding held at the date of the filing of the list may also be received subsequently, provided that it is received before the deadline for the publication of the lists, i.e. at least twenty-one days before the Shareholders' Meeting.

The parties filing the lists must ensure that they file, together with the lists, a description of the candidates' professional curriculum, the irrevocable acceptance of the office on the part of the candidates (if appointed), the certification that there are no grounds for ineligibility and/or incompatibility, the certification stating they meet the integrity requisites established by art. 147-*quinquies* of Italian Legislative Decree no. 58/1998, as well as, if necessary, a declaration stating they meet the independence requirements established by art. 147-ter, subsection 4, of Italian Legislative Decree no. 58/1998 and those provided for by the Code of Conduct drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A.

The first two candidates in each list shall have the above-mentioned requirements of independence. The lists for which the aforementioned rulings are not observed, or do not include candidates of different gender, according to current regulations, shall be deemed to be unfiled.

The appointment of members of the Board of Directors shall be as follows: eleven members of the Board of Directors shall be appointed from the list obtaining most votes, in consecutive order as listed. Four of these members must be of the least represented gender. For appointment of the remaining four members, the votes obtained by each list other than the one that will obtain the majority of votes and which were neither filed nor voted upon by Shareholders who are associated, pursuant to pro tempore current regulations, with Shareholders that filed or voted the same list, shall be consecutively divided by one, two, three and four. The quotients obtained in this manner shall be assigned progressively to candidates on each list, in the order in which they appear. These candidates are placed on a single list in decreasing order in accordance with the quotient assigned to each. Candidates with the highest quotients shall be elected up to the remaining number of members required, of which at least two of the least represented gender. In the event of equal quotients among candidates on different lists, the last member to be elected shall preferably be from the list obtaining most votes or, if quotients remain equal, of the most senior candidate, in compliance with the gender balance provided for in current regulations in force.

If the minimum number of directors belonging to the least represented gender is not elected, the candidate of the most represented gender ranking last in the list of candidates elected from the most voted list shall be replaced by the candidate of the least represented gender ranking first among the

non-elected candidates of the same list and so on until the minimum number of directors belonging to the least represented gender is reached. If, albeit applying this criterion, the minimum number of directors of the least represented gender has not been reached, the aforesaid replacement criterion will be applied to minority lists, starting from the most voted one.

Should an elected candidate be unable or does not intend to take up office, he/she shall be replaced by the first candidate not elected from that same list, in compliance with the gender balance criterion, as set out by regulations in force. If only one list of candidates is filed, members of the Board of Directors shall be elected from that list, always in compliance with the gender balance criterion, as set out by regulations in force.

Shareholders of HERA S.p.A. are therefore invited to vote one single list among those filed in and made public, pursuant to statutory and law provisions.

The tenure is 3 years and the Directors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements related to the last year of their office.

The Directors currently in office can be re-elected.

#### Fifth issue on the Agenda.

#### **Determination of the remuneration of the members of the Board of Directors: related and consequent resolutions.**

The Shareholders' Meeting is called to discuss and resolve on the determination of the remuneration of the members of the Board of Directors that this Shareholders' Meeting is called to appoint as per separate and previous item on the Agenda.

It should be noted that the remuneration of the members of the expiring Board of Directors was fixed, by the Ordinary Shareholders' Meeting held on 27 April 2017, at Euro 40,000, including taxes, per year for each member, in addition to the reimbursement of out-of-pocket expenses incurred in the exercise of their function in accordance with the criteria that refer to the A.C.I. tables for the reimbursement of automobile expenses and official documentation (train tickets, invoices, etc.) for any other expenses incurred.

The Board of Directors does not express specific proposals on this item on the Agenda and therefore invites the Shareholders' Meeting to resolve according to proposals that may be made by Shareholders during the Shareholders' Meeting.

Sixth issue on the Agenda.

**Appointment of the members of the Board of Statutory Auditors and Chairman: related and consequent resolutions.**

The Board of Statutory Auditors of HERA S.p.A. was appointed by the Shareholders' Meeting on 27 April 2017 and its office will expire on the date of the Shareholders' Meeting called for the approval of the 2019 financial statements.

In light of provisions set out by article 26 of the Articles of Association of HERA S.p.A., as well as to guarantee the appointment of members listed in minority lists, Auditors will be appointed based on lists filed in by Shareholders with the procedure described hereunder, in order to ensure that minority Shareholders be represented by a Standing and an Alternate Auditor. In particular, Municipal and Provincial Authorities or Consortiums established pursuant to art. 31, of Italian Legislative Decree no. 267/2000 or other Entities and Public Authorities and consortiums or joint stock companies, directly or indirectly controlled by such entities, shall act in concert to file a single list until such a time as qualification as an entity with a predominantly public capital pursuant to art. 7 of the Articles of Association no longer applies.

The composition of the Board of Statutory Auditors must ensure compliance with legislation, including regulations, in force regarding gender balance.

To this purpose, reference is made to amendments to the Articles of Association, as per item 1, Extraordinary Session, submitted to the Shareholders' Meeting for approval, result from the entry in force, as at 1 January 2020, of Law no. 160 dated 27 December 2019. The latter, superseding the former Law no. 120/11, has introduced new provisions concerning gender balance in the boards of directors and statutory auditors of listed companies.

It is also noted that, subsequently, CONSOB Communication no. 1 of 30 January 2020, pending an adjustment of the regulatory framework, launched on the same date with a Consultation containing proposals to amend Article 144-undecies.1 of the Issuers' Regulation ("Gender balance"), has clarified that, for the appointment of statutory auditors, consisting in three standing members, as an exception to the criterion of rounding up to the upper unit provided for by subsection 3 of article 144-undecies.1 of the Issuers' Regulation ("Gender balance"), the criterion of rounding down to the lower unit should apply.

The Board of Statutory Auditors will therefore be appointed in compliance with current legislation and pursuant to Article 26 of the Articles of Association, as updated following the above-mentioned amendments.

The lists shall contain a number of candidates not exceeding the number of members to be elected, listed by consecutive numbering. Each candidate may be included in one list only, on penalty of disqualification. Each list must contain a number of candidates, belonging to the least represented gender, which ensures that the balance between genders is respected at least to the minimum extent required by current regulations.

Lists may be filed by individual Shareholders or groups of Shareholders that represent at least 1% of the share capital at the ordinary Shareholders' Meetings.

Each shareholder may file, or act in concert in filing, one list only. Should this rule be violated, no account will be taken of that Shareholder's vote on any list filed.

Lists signed by the Board of Directors and by the Shareholders filing said lists must, on penalty of lapse, be filed together with a declaration confirming the absence of agreements or links of any nature with other Shareholders filing the other lists at the registered office at least twenty-five days prior to the date set for the Shareholders' Meeting. The lists must be made available to the public at the Company's registered office, on its website, at least twenty-one days prior to the date set for the Shareholders' Meeting.

The filed lists shall be complete with an exhaustive information on personal and professional characteristics of candidates, as well as statements in which the single candidates accept their candidacy and, under their own responsibility, declare the lack of any cause for ineligibility, forfeiture or incompatibility as envisaged by law, the possession of integrity and professional requisites established by law for members of the Board of Statutory Auditors and the list of directorship or audit-related offices held with other companies.

Each filed list shall also be complete with the indication of the identity of the presenting Shareholders and the total percentage of the shareholding held. The communication from the broker certifying the ownership of the shareholding held at the date of the filing of the list may also be received subsequently, provided that it is received before the deadline for the publication of the lists, i.e. at least twenty-one days before the Shareholders' Meeting.

The lists for which the aforementioned rulings are not observed, or do not include candidates of different gender, according to current regulations, shall be deemed to be unfiled.

Pursuant to article 144-sexies, subsection 5 of the Regulation adopted with CONSOB Resolution no. 11971 of 14 May 1999, and following amendments and supplements, if only one list for the appointment of the Board of Statutory Auditors has been deposited by the deadline for the lodging of lists, or only lists that are linked to each other have been lodged, lists may be filed until the third

day following this deadline and the shareholding required for the filing is reduced to 0.5% of the share capital.

All parties entitled to vote may vote one list only.

Two Standing Auditors and one Alternate Auditor, of whom at least (1) one Standing Auditor of the least represented gender, shall be appointed from the list obtaining the highest number of Shareholders' votes, in the consecutive order in which they appear on the list.

The third Standing Auditor and the remaining Alternate Auditor shall be appointed from the other lists, respectively electing the first and second candidate from the list obtaining the second highest quotient, of whom the Alternate Auditor of the least represented gender. In the event of equal votes for two or more lists, the most senior candidate shall be appointed Auditor, in compliance with the gender balance criterion, as set out by regulations in force.

If the minimum number of Standing and Alternate Auditors belonging to the least represented gender is not elected, the candidate of the most represented gender ranking last in the list of candidates elected from the most voted list shall be replaced by the candidate of the least represented gender ranking first among the non-elected candidates of the same list and so on until the minimum number of auditors belonging to the least represented gender is reached. If, albeit applying this criterion, the minimum number of auditors of the least represented gender has not been reached, the aforesaid replacement criterion will be applied to minority lists, starting from the most voted one.

The chairmanship of the Board of Statutory Auditors is assigned to the first candidate on the list obtaining the second highest quotient. In the event of equal votes for two or more lists, the most senior candidate shall be appointed Chairman, in compliance with the gender balance criterion, as set out by regulations in force.

The Shareholders of HERA S.p.A. are therefore invited to vote for one list only among those that will be filed and made public in accordance with provisions of the Articles of Association.

The tenure is 3 years and the Auditors remain in office until the date of the Shareholders' Meeting called to approve the financial statements related to the last year of their office.

#### Seventh issue on the Agenda.

#### **Determination of the remuneration of the members of the Board of Statutory Auditors: related and consequent resolutions.**

Pursuant to Article 26 of the current Articles of Association, the Shareholders' Meeting is called to



discuss and resolve on the determination of the remuneration due to the standing members of the Board of Statutory Auditors that this Shareholders' Meeting is called to appoint as per separate and previous item on the Agenda.

It is noted that the remuneration of the expiring Board of Statutory Auditors was fixed by the Shareholders' Meeting held on 27 April 2017, for each financial year on a lump sum basis of Euro 280,000, of which Euro 120,000 for the Chairman and Euro 80,000 for each standing member, in addition to the reimbursement of documented expenses and legal fees.

The Board of Directors does not express specific proposals on this item on the Agenda and therefore invites the Shareholders' Meeting to resolve according to proposals that may be made by Shareholders during the Shareholders' Meeting.

Bologna, 19 February 2020

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