

**HERA S.P.A.**

**Registered Office in Bologna at V.le Carlo Berti Pichat 2/4**

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

**Registered with the Bologna Register of Companies**

**Registration number 04245520376**

***DIRECTORS' REPORT***

***ITEM 5 ON THE AGENDA***

***ORDINARY PART***

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

*called in a single call on 30 April 2025 at 10 a.m.*

Dear Shareholders,

The Board of Directors of HERA S.p.A., has asked you to attend the single call of this Extraordinary and Ordinary Shareholders' Meeting at the Company's Head Office - *Viale Berti Pichat 2/4, Bologna* - on 30 April 2025 at 10.00 am to discuss and decide on the items on the following:

agenda

**Extraordinary Part of the Shareholders' Meeting**

1. Amendment of Article 29 of the Articles of Association: related and consequent resolutions.

**Ordinary Part of the Shareholders' Meeting**

1. Financial statements as at 31 December 2024 of Hera S.p.A.: related and consequent resolutions.  
Presentation of the consolidated financial statements as at 31 December 2024 Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.
2. Proposed allocation of profit for the period: related and consequent resolutions.
3. Report on the remuneration policy and fees paid: resolutions relating to Section I – Remuneration policy.
4. Report on the remuneration policy and fees paid: resolutions relating to Section II – Fees paid.
5. Integration of the fee for the auditing firm KPMG SpA: related and consequent resolutions.
6. Renewal of the authorisation to purchase treasury shares and disposal procedure thereof: related and consequent resolutions.

Fifth item on the agenda of the Ordinary Part of the Shareholders' Meeting.

**Integration of the fee for the auditing firm KPMG SpA: related and consequent resolutions.**

Dear Shareholders,

further to the resolution adopted by you under item 5 of the agenda of the Ordinary Shareholders' Meeting of Hera S.p.A. held on 28 April 2022, whereby KPMG S.p.A. ("KPMG") was appointed, on the basis of a reasoned proposal from the Board of Statutory Auditors, as the independent auditor of Hera S.p.A. for the period 2024–2032, we wish to inform you of the following.

By means of a communication to the Company dated 11 October 2024, the auditing firm KPMG has requested an integration of its fees due to changes in the scope of activities as a consequence, mainly, of regulatory developments and auditing standards differing from those in force at the time of its offer submission on 7 February 2022. All of the above is set out in greater detail in the reasoned proposal of the Board of Statutory Auditors, which is provided below.

"Dear Shareholders,

The Ordinary Shareholders' Meeting held on 28 April 2022, which approved the financial statements as at 31 December 2021, also resolved on the appointment of an independent auditor for the nine-year period 2024–2032 and assigned it to the auditing firm KPMG S.p.A., pursuant to Article 13 of Legislative Decree no. 39/2010. This mandate included the following activities:

- audit of the Separate Financial Statements of Hera Spa and the Consolidated Financial Statements of the Hera Group (article 14, paragraph 1, (a) of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014);
- audit of the financial statements of the Subsidiaries that are required to audit their accounts (article 13 of Legislative Decree no. 39/2010);
- limited-scope review of the consolidated interim financial report of the Hera Group (Consob Communication no. 97001574 of 20 February 1997 Consob Resolution 10867 of 31 July 1997);
- verification that proper records are kept of the company accounts and management-related events are entered correctly in the accounting records for all the companies included in the scope of the tender (article 14, paragraph 1, (b) of Legislative Decree no. 39/2010);
- checks related to the signing of tax returns;
- examination of conformity of the separate annual financial statements, drawn up pursuant to the TIUC Integrated Unbundling Accounting Text (Arera resolution 137/2016/R/co), for the Companies specifically identified;
- other tasks, as described hereunder, strictly related to audits, that are not the prohibited services specified by article 5 of Regulation (EU) no. 537/2014, that are assigned on the basis of the obligations provided by laws, regulations and practices and previously agreed with the requesting Company as detailed in the table below:

Other tasks (details of cases currently present in Hera Group):	Company
Limited-scope review of the Hera Group's non-financial statement	Hera Spa
Limited-scope review of Hera Group's shared value creation report	Hera Spa
Limited-scope review of the sustainability report of Marche Multiservizi Spa	Marche Multiservizi Spa
Comfort letter on the annual renewals of the EMTN programme and bonds	Hera Spa
Certificates required by the Regulatory Authority for Energy, Networks and the Environment (ARERA):	Hera Comm Spa
- Report on late payment charges for the 2012 seismic event	
- Report of EE compensatory mechanism for non payment	
- Report of the default last resort service of the natural gas sector	
- Report of the last resort service (FUI) of the natural gas sector	
- Report relating to default providers for supplies to EE priority services customers	
- Reporting of system charges - EE Sector	
Approval of payables/receivables Partner Municipalities pursuant to Legislative Decree no. 118/2011	Hera SpA Marche Multiservizi Spa and Marche Multiservizi Falconara Srl
Certification of tax credits	Hera Spa, Inrete Distribuzione Energia Spa

For the above services, the auditing firm KPMG S.p.A. had requested a total fee, for the entire nine-year period between 2024 and 2032, of EUR 6,697,754, as shown in the economic offer hereunder.

	Audit and unbundling	OTHER ROLES	Total
1st year	667,741	232,256	899,997
2nd	667,741	232,256	899,997

year			
3rd			
year	467,424	232,256	699,680
4th			
year	467,424	232,256	699,680
5th			
year	467,424	232,256	699,680
6th			
year	467,424	232,256	699,680
7th			
year	467,424	232,256	699,680
8th			
year	467,424	232,256	699,680
9th			
year	467,424	232,256	699,680
<b>Total</b>	<b>4,607,450</b>	<b>2,090,304</b>	<b>6,697,754</b>

The fees were determined in accordance with the criteria set out in Consob Communication no. 96003556 of 18 April 1996 and, at the express request of the auditing firm, may be adjusted on the basis of variations of the ISTAT index (consumer price index for families of blue and white collar workers) relating to the cost of living. In particular, with respect to said adjustment, as from the second contract year and on an annual basis, on 1 July of each year, the variation of the above index will be verified with respect to the month of July of the previous year; if the variation is greater than 3%, the fees will be adjusted, by 65% of the variation recorded by the index that is higher than the starting threshold of 3%.

On 11 October 2024, the auditing firm KPMG S.p.A. notified Hera S.p.A. of the need to amend the scope of activities outlined in the Framework Agreement signed following the resolution of the Ordinary Shareholders' Meeting held on 28 April 2022, due to regulatory changes and revised auditing standards, compared to those in force at the time of the submission of the offer on 7 February 2022 (the Offer).

These changes concern the following aspects:

a) **Extraordinary events - ISTAT adjustment**

Subsequent to the submission of the Offer, unforeseeable events of an extraordinary nature and scale occurred, notably the effects arising from the end of the Covid-19 emergency and the Russo-Ukrainian war, which have profoundly impacted the global economic context. These events have caused a sudden and significant monetary inflation, leading to price increases across various market sectors, affecting many production factors, including the cost of personnel, auditing costs and ancillary charges for the provision of the service in question. At the time of the Offer, the most recent available cost of living value, referring to December 2021, was considered. The ISTAT cost of living index increased by 12.5% from 1 January 2022 to 30 June 2024. Therefore, in accordance with the calculation methods set out in the Specifications under Article 13, a fee adjustment of 6.2% has been determined for all tasks covered by the Framework Agreement.

b) **ESEF Delegated Regulation**

The Delegated Regulation (EU) 2019/815 of the European Commission of 17 December 2018 ("ESEF Delegated Regulation") requires issuers whose securities are admitted to trading on a regulated market in the European Union to publish their annual financial report in digital format. Pursuant to Article 154-ter, paragraph 1.2, of Legislative Decree no. 58/1998, the audit involves verifying the compliance of the financial statements and consolidated financial statements, to be included in the annual financial report, with the provisions of the ESEF Delegated Regulation regarding the single electronic format. Therefore, the audit mandate must be extended to include this activity.

c) **New Professional Standards**

Starting from 1 January 2024, KPMG S.p.A. will apply the new professional standards for the performance of audit activities, specifically ISQM1, ISQM2, ISA 220R, and ISA 600R. The implementation of these standards, aimed at improving the quality of audit work, requires additional administrative departments, increased controls, and more extensive audit procedures.

d) **Non grant of audit mandate for Marche Multiservizi Falconara S.r.l. and Aliplast France**

The Hera Group has decided not to grant the audit mandate to KPMG S.p.A. for the companies Marche Multiservizi Falconara S.r.l. and Aliplast France. Therefore, it is necessary to update the information provided earlier.

e) Change in scope

The Hera Group has decided to assign the audit mandate to KPMG S.p.A. for the companies Macero Maceratese S.r.l., A.C.R. S.p.A., and Fratelli Franchini S.r.l., which were not included in the scope of the tender as they were subsequently acquired by the Hera Group.

f) Acquisition of "Public Interest Enterprise" status by a subsidiary based in Bulgaria (AresGas EAD)

Starting from the 2024 financial year, the entity AresGas EAD, in accordance with the "Bulgarian Accountancy Act", a law currently in force in Bulgaria, acquired the status of "Public Interest Enterprise", resulting in an increase in the activities and controls required for the audit of the consolidated financial statements of Hera S.p.A.

g) Update of fees for subsidiaries based in Bulgaria

As a result of the new "Public Interest Enterprise" status of AresGas EAD, as described in point e), it is necessary to update the fees due for the auditing of the financial statements of AresGas EAD, as well as for the other Hera Group companies based in Bulgaria (Black Sea Gas Company Eood and Primagas AD).

h) Introduction of CSRD

It is necessary to update the scope of procedures related to the sustainability report audit of the Hera Group. In particular, as is well known, since 5 January 2023, Directive (EU) 2022/2464 of the European Parliament and the Council of 14 December 2022 - amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC, and Directive 2013/34/EU, as regards corporate sustainability reporting - has been in force.

This regulation requires the preparation of a prospectus that is significantly different, more complex and more detailed than what was previously provided in the Non-Financial Statement (NFS) prepared pursuant to Legislative Decree 254/2016. Therefore, it was necessary to define a new scope for these procedures in order to certify the compliance of sustainability reporting with the relevant regulations.

The additional fees requested are outlined as follows:

KPMG FEES AUDIT, UNBUNDLING, OTHER ASSIGNMENTS 2024-2032	HERA AWARD 04/05/2022 € 6,697,754	HERA FRAMEWORK AGREEMENT 07/06/2024 €6,989,632.53 A	KPMG request to AMEND FRAMEWORK AGREEMENT 11/10/2024 € 9,923,389 B	variation in the nine- year period compared to the framework agreement B - A	Additional annual cost (B-A)/9
AUDIT AND UNBUNDLING	4,607,449.53	4,507,449.53	4,783,049.96	175,600.43	19,511.16
CHANGE IN SCOPE	-	291,879.00	309,874.39	17,995.39	1,999.49
ESEF REGULATION	-	-	173,309.62	173,309.62	19,256.62
OTHER ASSIGNMENTS including CSRO (previously NFS)	2,090,304.00	2,090,304.00	3,793,868.88	1,703,564.88	189,284.99
NEW PROFESSIONAL STANDARDS	-	-	160,928.44	160,928.44	17,880.94
ACQUISITION OF P.I.E. (PUBLIC INTEREST ENTERPRISE) STATUS BY ARESGAS EAD	-	-	702,358.00	702,358.00	78,039.78
	6,697,753.53	6,989,632.53	9,923,389	2,933,756.76	325,972.97

As is well known, in accordance with the applicable regulations and, in particular, Article 13 of Legislative Decree no. 39 of 27 January 2010, it is the responsibility of the Board of Statutory Auditors, among other duties, to submit a reasoned proposal regarding the fee assigned to the auditor.

