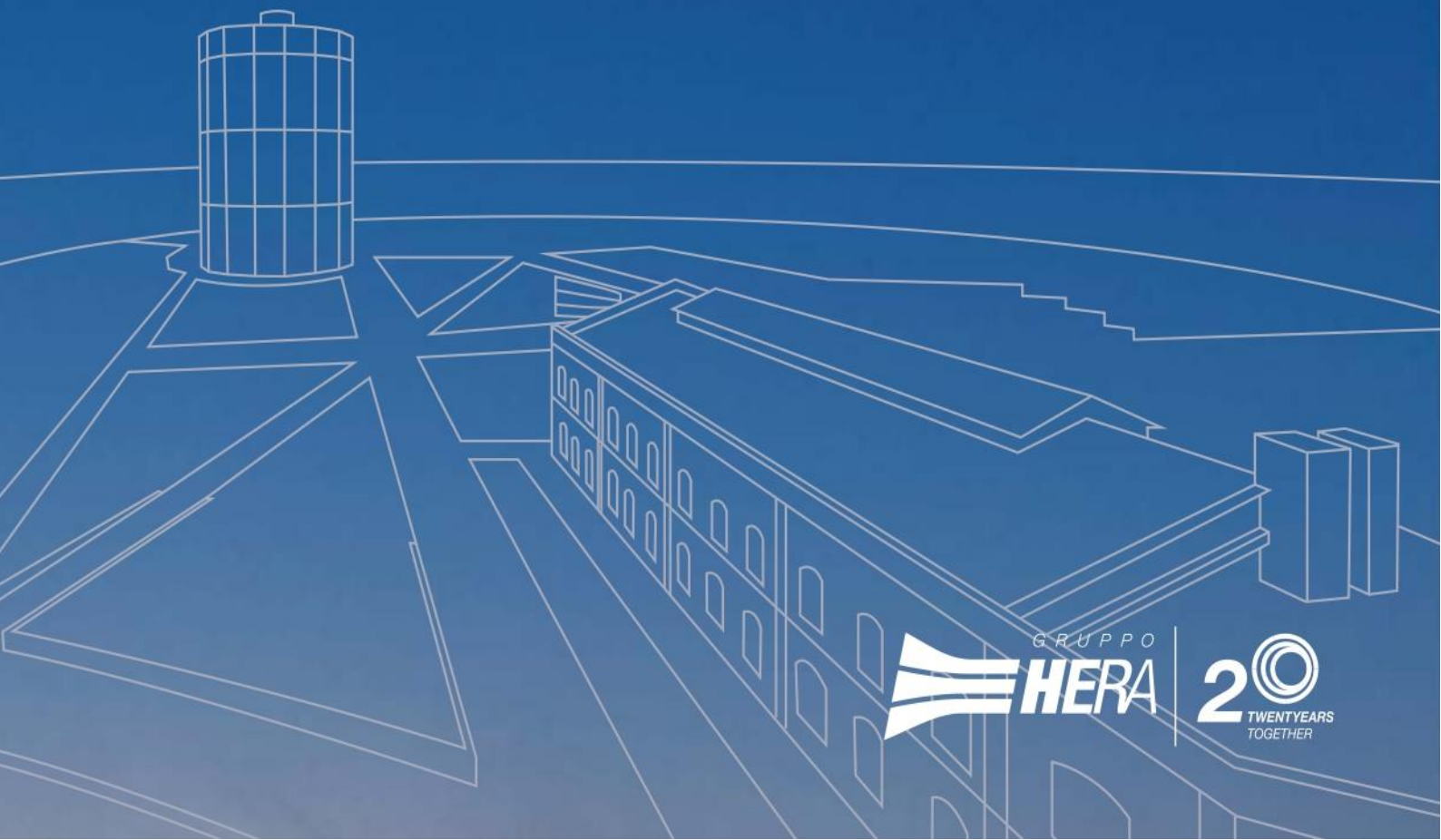




2021
REPORT ON THE REMUNERATION
POLICY AND THE
REMUNERATION PAID



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REPORT ON THE REMUNERATION POLICY AND THE REMUNERATION PAID



EXECUTIVE SUMMARY

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

Aims and Principles

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

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

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

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

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

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

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

II. Remuneration components

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

The fundamental components of remuneration for Hera Group managers are:

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

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

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

III. Pay for performance

During the year that has just ended, despite the fact that the pandemic crisis is still affecting the setting, the Group was able to respond by making its own contribution to the country's economic recovery by registering further growth and one of the highest increases in its almost 20-year history to date. This performance is even more noteworthy if one considers that it derives mainly from the organic and sustainable development of the Group's liberalized businesses; indeed, these business areas have benefited from the growing demand for services associated with the pursuit of carbon neutrality, such as energy efficiency, and the circular economy, with the recovery of materials.

Earnings before interest, taxes, depreciation, and amortization increased by 9.0%. During the year, the Group laid the foundations for growth in the years to come, thanks in part to the completion of three acquisitions in the waste management sector that are expected to generate significant synergies with the Group's diversified platform of plants.

Net income at year end also benefited from good financial and fiscal management, enabling the company to close with a figure 10.2% above the previous year. In addition, debt optimization transactions were concluded towards the end of the year which will enable a reduction in borrowing costs beginning already in 2022.

The balance sheet has confirmed its solidity, as demonstrated by the improvement in the ratio of net debt to Ebitda falling from 2.87 times to 2.66, thanks to positive cash flow generation that was sufficient to fully finance the Group's substantial investments, up by 130 million euros as compared to the previous year, and the regular payment of dividends, which also increased by 9% as compared to 2020.

These annual financial results exceeded the targets set in the balanced scorecard system for financial year 2021, and exceeded the widely-held expectations of the financial analysts covering Hera stock. Such performance is all the more impressive considering that it builds on the significant progress already made uninterruptedly since the Group's inception.

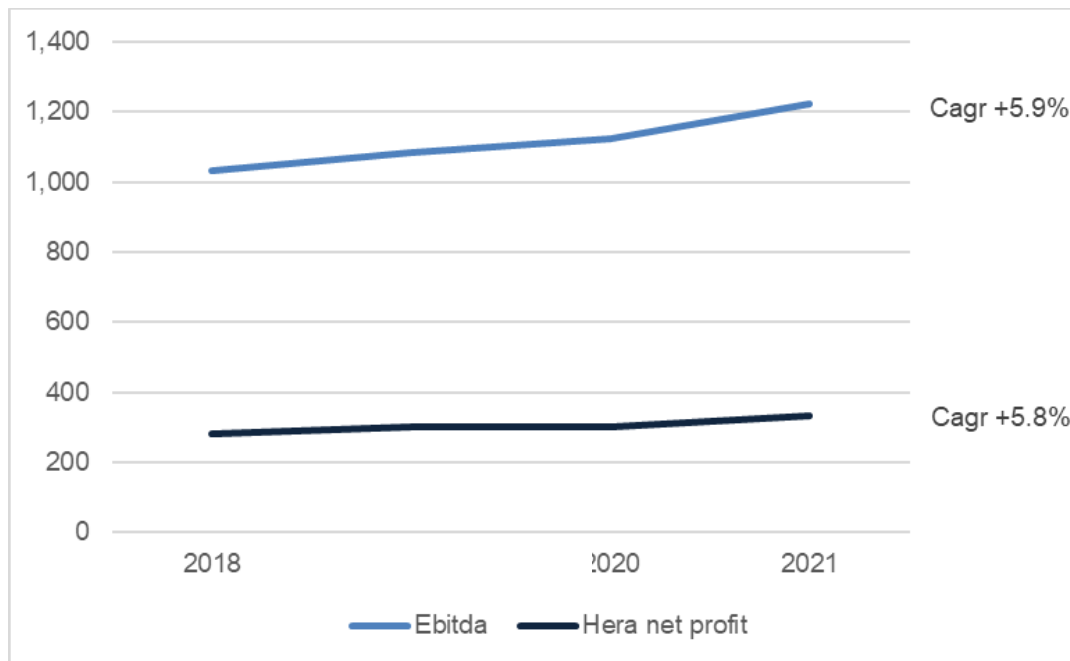
In 2021, Hera stock also performed well and outperformed the rest of the Italian utility sector, with a 22.8% share price increase and an official price of 3.670 euros as of 31 December. Considering also the dividend distribution of 11 cents, which adds a yield of 3.7%, the total return on investment in Hera was 26.4%.

In the three-year period 2019-2021, the reference period for long-term variable remuneration (retention plan), despite the turbulent environment caused by the pandemic emergency and volatility of energy prices, the Group achieved cumulative growth in Ebitda and net income of 18.7% and 18.3%, respectively. In the same period, on a comparable basis, shared-value Ebitda grew by 49.7%. This value creation has been reflected in the return on investment in Hera shares: considering both the price appreciation and payment of regular and increasing dividends, remuneration for the Group's shareholders amounted to +48.9%.

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

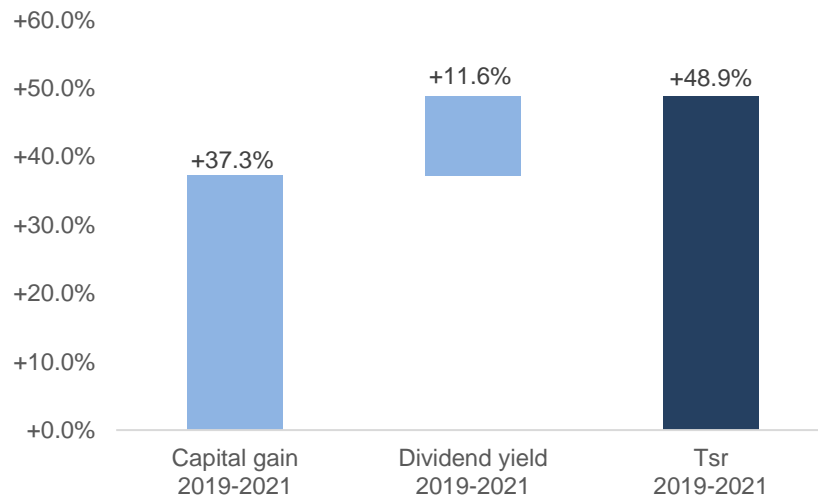
The following graphs illustrate the main results for the last three years.

ECONOMIC GROWTH IN THE 2019-2021 THREE-YEAR PERIOD (MLN/EURO)



TOTAL SHAREHOLDERS' RETURN 2019-2021

(Percentages as compared to the market value of Hera stock at 1 January 2019)



IV. Shareholder engagement activities

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

The road show was held, virtually, on the occasion of the presentation of the industrial plan leading up to 2024, and involved top management meeting around 50 investors in the main financial centres for over a month, through to the end of January. Around 100 additional opportunities for dialogue were organized during the course of the year to update the financial community regarding the Group's performance. A further road show was held in October 2021 on the occasion of the launch of the new 500 million euro sustainability linked bond.

In order to offer professional third-party opinions on the Group and its results, Hera's investor relator conducts, under the direct control of the Executive Chairman, constant monitoring of the analyses carried out by financial analysts and ESG specialists covering the Group so as to detect changes in attitudes and evolving best practices. Almost all financial analysts expressed a positive buy/outperform opinion at the end of the year, and almost all of the ESG analysts screened under the Group's policy showed an improvement in sustainability ratings. Particularly noteworthy is the confirmation of Hera's inclusion in the Dow Jones Sustainability Indexes, both World and Europe, as an industry leader in the multi and water utility sector, and its inclusion in the Mib ESG index of Borsa Italiana Spa identifying the Italian companies with the best indicators on environmental, social and governance criteria.

INTRODUCTION

This document was drafted in compliance with the regulations of Article 5 of the Corporate Governance Code, adopted by Hera Spa via a resolution dated 11 November 2020, as well as article 123-ter of Legislative Decree no. 58/1998 (TUF), as modified by Legislative Decree no. 49/2019, implementing the Shareholder Rights Directive 2 (EU) 2017/828 (SHRD II for short), which requires listed companies to make publicly available a report on their remuneration policy and compensation paid, prepared on the basis of the provisions of article 84-quater and Annex 3A, Schedule 7-bis of the Regulation implementing the TUF adopted by Consob through resolution no. 11971 of 14 May 1999 (the “Issuer’s Regulation”) and amended by Consob’s own resolution 21623 of 10 December 2020.

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

This report, approved by the Board of Directors on the proposal of the Remuneration Committee on 23 March 2022, defines and illustrates:

- in “Section I”, the policy adopted by Hera for the remuneration of top management, directors and the Board of Statutory Auditors, specifying how it contributes to the strategy and sustainable success of the Company, as well as identifying the bodies involved and the procedures adopted to define and implement the policy;
- in “Section II”, the compensation paid, outlined by name, pertaining to the financial year 2021 or paid or payable for results achieved in 2021, to the members of the management and control bodies.

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

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

SECTION I - REMUNERATION POLICY

1 Introduction

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

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

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

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

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

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

2 Scope of application

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

The table below lists the members, currently in office, of the Board of Directors and the Board of Statutory Auditors of Hera Spa, appointed at the Shareholders’ Meeting of 29 April 2020.

Board of Directors

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

Board of Statutory Auditors

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

3 Governance Model

3.01 Remuneration policy definition, approval and possible revision process

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

Entity in charge	Responsibilities/Activities
Shareholders' Meeting;	Binding resolution on the First Section of the report on remuneration policies and compensation paid. Non-binding resolution on the Second Section of the report on remuneration policies and compensation paid.
Board of Directors	Defines, examines and approves the remuneration policy for the directors and 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 Executive Chairman, Vice Chairman and CEO, as well as regarding the adoption of general remuneration criteria for managers.
Executive 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 Executive Chairman, Vice Chairman, and CEO, as well as based on the suggestions put forward by the Executive Chairman, for the adoption of general remuneration criteria for managers.

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

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

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

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

The Remuneration Committee met three times in 2021: all the members took part in two of these meetings, while almost all of them took part in the remaining one.

Composition of the Remuneration Committee

Gabriele Giacobazzi (Chairman)	Majority list	3/4 meetings	
Monica Mondardini	Majority list	3/4 meetings	3 meetings in 2021
Fabio Bacchilega	Majority list	2/3 meetings	
Alice Vatta	Minority list	3/4 meetings	

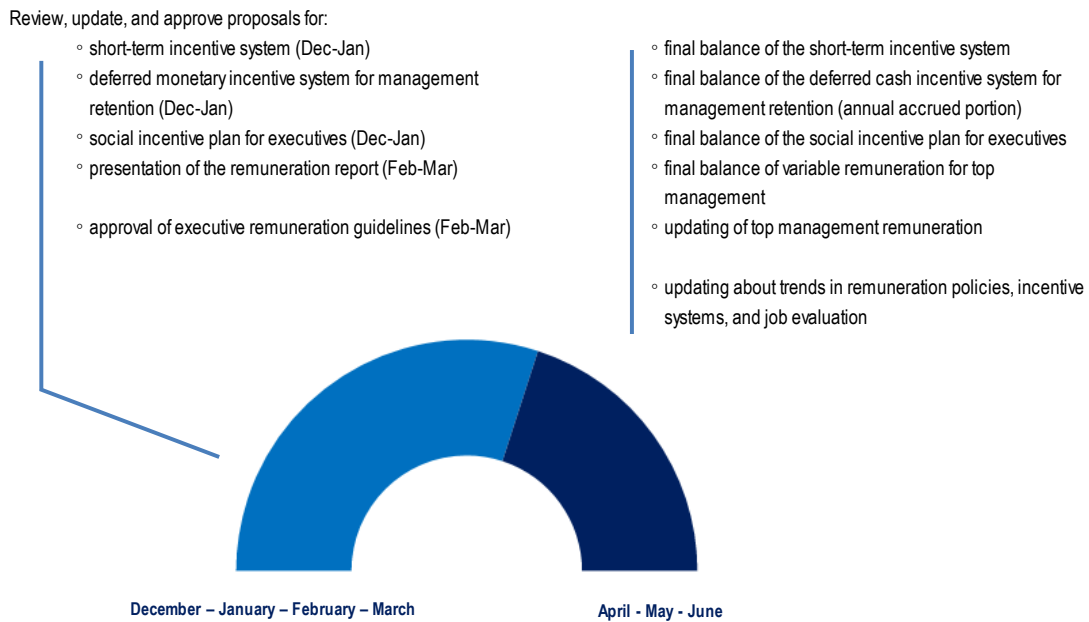
It should also be noted that the Board of Directors, when the Committee was last renewed, acknowledged that principle 6.P.3 of the Corporate Governance Code in force at the time had been complied with since at least one Committee member had appropriate knowledge and experience in financial or remuneration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

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

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

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:



3.02.02 Activities carried out and planned

During the meetings held in the 2021 financial year, all duly recorded in the minutes, the following subjects were discussed:

- 2021 BSC for Group Directors, Executives and Managers.
- 2021 welfare plan for managers;
- 2020 final balance - variable component - company objectives and 2020 corporate welfare;
- 2020 report on the remuneration policy and compensation paid
- 2021 remuneration policies - directors and managers.

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

4 Hera group remuneration policy

4.01 Aims and Fundamental Principles

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

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

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

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

4.02 Correlation between remuneration, risk profile and company performance

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

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

In relation to the industry to which it belongs, the risk profile of the Hera Group occupies an intermediate position, between operators that concentrate more on regulated activities and operators involved in the more risky free market business operations. Overall, the risk profile is very conservative. The remuneration currently offered is directed at preventing management from behaving in a way that would expose the company to excessive risks (risk-adverse approach) or risks of non-sustainability of the Group's results in the medium to long-term.

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

This incentive plan, in line with the risk profile, also aims to reinforce the culture of value creation in terms of the ability to create shared value while simultaneously consolidating the culture of financial solidity within the Group and, therefore, maintaining a conservative risk profile. 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 value added 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 Correlation between remuneration and employees' compensation/working conditions

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

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

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

Some examples include:

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

4.04 Group leadership model

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

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

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

The 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.

In order to further reinforce the importance of the leadership model as a central factor for the Group's growth and development, also in view of the increasingly consolidated application of this model that has led people to perform each individual skill better and better, in 2021 it was decided that the target of expected behaviours would be raised, as evidence of the company's constant attention to the continuous improvement of the standards against which it measures itself.

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

4.05 Exceptions to the remuneration policy

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

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

5 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.

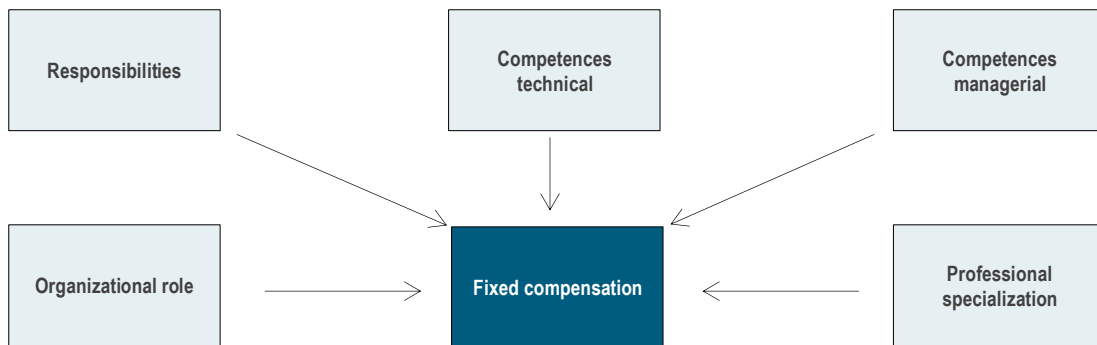
The fundamental components of remuneration for Hera Group Directors are:

- 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 278 companies, 36% of which are Italian and 64% foreign. Of the companies, 15.9% have more than 5,000 employees.

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

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

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

5.02.01 Recipients

The scope of application of the BSC system consists of all Hera Spa and Group subsidiary company directors, managers and supervisors. With respect to the population of directors and executives, for the year 2021, the scope includes 41 directors and 113 managers. A similarly arranged evaluation form is also envisaged for the Executive Chairman and the CEO.

5.02.02 Incentive and objective definition process

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

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

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

5.02.03 Performance measurement

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

- a quarterly assessment that is also shared in the management review (Management Committee);
- the most important strategic projects are evaluated in terms of the progress made, the obstacles that might cause a possible slowdown of the project and what might be done to resolve them;
- any instances of outperformance are taken into consideration during the revised budget;
- the assessment of projects is quali-quantitative
- the appraisal of behaviours envisaged by the leadership model includes 360-degree observations that can be applied across the entire organization and takes place by involving the heads of the individual teams who assess the following competencies envisaged by the model:
 - a) Energy and decision
 - b) Realization
 - c) Cooperation
 - d) Influence
 - e) Excellence and simplification
 - f) Complexity management
 - g) Innovation
 - h) Valorization of people

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

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

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

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

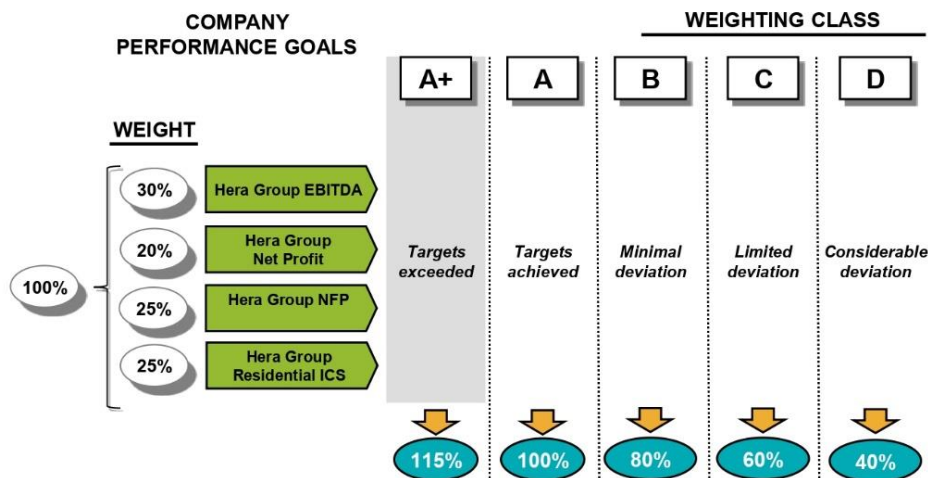
- economic objectives of individual budget units: the result is automatically assessed on the basis of the final figures shown in the statutory financial statements for the economic indicators assigned under an “achieved/not achieved” logic;
- leadership model behaviours: this assessment is carried out on all the eight behaviours envisaged by the model and is calculated on the basis of the arithmetic average of the assessments of each behaviour; the target for each person being assessed is identified on an assessment scale from one to five and the target has been raised from 3 to 3.5 (see section 4.03) for all company positions, a value that represents how solidly individual behaviour has been modelled throughout the period in question; the percentage of behavioural target achievement is distributed over ten bands according to the following scheme:
 - arithmetic average of the eight assessment areas ≥ 3.5 result 100%
 - arithmetic average of the eight assessment areas > 3.25 and < 3.5 result 90%
 - arithmetic average of the eight assessment areas > 3.13 and ≤ 3.25 result 80%
 - arithmetic average of the eight assessment areas > 3 and ≤ 3.13 result 70%
 - arithmetic average of the eight assessment areas > 2.88 and ≤ 3 result 60%
 - arithmetic average of the eight assessment areas > 2.75 and ≤ 2.88 result 50%
 - arithmetic average of the eight assessment areas > 2.63 and ≤ 2.75 result 40%
 - arithmetic average of the eight assessment areas > 2.5 and ≤ 2.63 result 30%
 - arithmetic average of the eight assessment areas > 2.38 and ≤ 2.5 result 20%
 - arithmetic average of the eight assessment areas > 2.25 and ≤ 2.38 result 10%
 - arithmetic average of the eight assessment areas ≤ 2.25 result 0%

The result of the evaluation carried out using the aforementioned model is then weighted through a company results profile which takes into account the performance recorded by the Group referring, for 2021, to four parameters:

- EBITDA;
- Net Profit;
- Shared value EBITDA (CSV);
- 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 managers’ 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:

Remuneration Report weighting scheme



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

For 2021, the target values of the four weighting parameters are:

- Hera Group EBITDA: 1.160 mln
- Hera Group Net Profit: 336.0 mln
- Hera Group CSV EBITDA: 463.5 mln
- Hera Group Residential ICS: 72

5.02.04 Incentive level

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

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

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

With respect to 2021, depending on the results of the incentive system and the position held by the recipient, the following maximum salaries are established:

- for the Executive Chairman and Chief Executive Officer: the policy sets a maximum variable remuneration equal to 57.5% of the total gross fixed compensation [(57.5%) = maximum individual variable (50%) x maximum company weighting (115%), corresponding to having outperformed all the established targets (class A+);
- for directors: the policy sets a maximum variable remuneration equal to 34.5% of the total gross fixed compensation [(34.5%) = maximum individual variable (30%) x maximum company weighting (115%), corresponding to having outperformed all the established targets (class A+) associated with company objectives];
- for managers: there are two distinct levels of maximum variable remuneration based on the manager's weight within the organization and the strategic importance of his or her tasks, equal respectively to 25.3% [(25.3%) = maximum individual variable (22%) x maximum company weighting (115%) corresponding to having outperformed all the established targets (class A+) related to the company objectives] of the total gross fixed remuneration, and 19.6% [(19.6%) = maximum individual variable (17%) x maximum company weighting (115%), corresponding to having outperformed all the established targets (class A+) related to the company objectives] of the total gross fixed remuneration.

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

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

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

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

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

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

5.03.01 Plan aims and recipients

The long-term variable component of remuneration is linked to a retention plan which, for the financial year 2021, is applied to the Executive Chairman, the Chief Executive Officer and a limited number of managers, taking into account, for the latter, the weight of each one's organizational position, the evaluation of the performance they achieved as part of the development process and market risk.

An annual evaluation mechanism is in place for determining access to and renewal/non-renewal of monetary plan assignment.

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.

The plan involved an initial period of application in the 2016-2018 three-year period, with disbursement of the related award in 2019, and a second three-year period of application 2019-2021, with disbursement of the related award scheduled for 2022, under which, as established by the Board of Directors at its meeting on 19 December 2018, the plan was envisaged to evolve with the aim of further enhancing the ability to create and share value, as well as further consolidating the Group's culture of long-term financial solidity and more effectively pursuing the interests of stakeholders.

The following general criteria shall be used to identify the scope of potential beneficiaries:

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

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

As resolved by the Board of Directors on 27 January 2022, the adoption of the plan was confirmed for the 2022-2024 three-year period, maintaining unchanged the model for the functioning of the system that had already been approved in previous three-year periods and updating the recipients in accordance with the general criteria outlined above.

5.03.02 Objective definition process

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

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

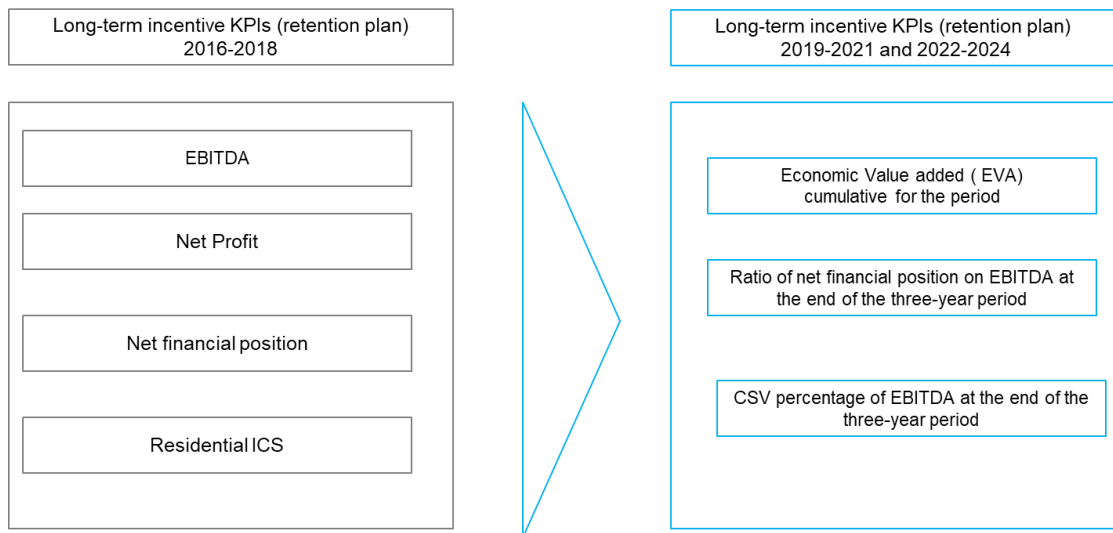
- a) Energy and decision
- b) Realization
- c) Cooperation
- d) Influence
- e) Excellence and simplification
- f) Complexity management
- g) Innovation
- h) Valorization of people

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

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

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

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



5.03.03 Maximum incentive level, performance measurement and bonus accrual mechanism

For the Chief Executive Officer, the maximum value of the three-year incentive bonus, upon achievement of 100% of the targets, amounts to 113.33% of the fixed annual remuneration (RAL) as of December 2021. This percentage was determined in light of the 24 June 2020 Board of Directors’ resolution to raise from 100% to 120% the maximum theoretical value of the plan relating to the 2019-2021 three-year period upon achievement of 100% of the targets, effective from 2020.

Moreover, as part of the same resolution, the Board defined the confirmation of the assignment of the 2022-2024 long-term incentive plan with a maximum bonus amounting to 120% of the CEO's remuneration.

For the Executive Chairman, the maximum value of the three-year incentive bonus, upon achievement of 100% of the targets, amounts to 120% of the fixed annual remuneration (RAL) as of December 2022. This percentage was determined in light of the 24 June 2020 Board of Directors' resolution that also established the three-year duration of the plan, from 2020 to 2022.

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

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

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

- EVA: 461 mln with a WACC of 4.5%;
- PFN/EBITDA at 2021: 2.88;
- %CSV at 2022: 41%.

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

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

For the rest of Group management covered by the retention plan, the maximum three-year incentive on achieving 100% of the objectives is 100% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the 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). For the 2019-2021 three-year period, the reference salary is that of April 2022; differentiation in the amount of the incentive among the different recipients is based on the weight of the person's organizational position, the evaluation of his or her performance within the development process, and market risk.

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

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



- Chief Executive Officer (2019-2021 three-year reference period with projected disbursement in May 2022)



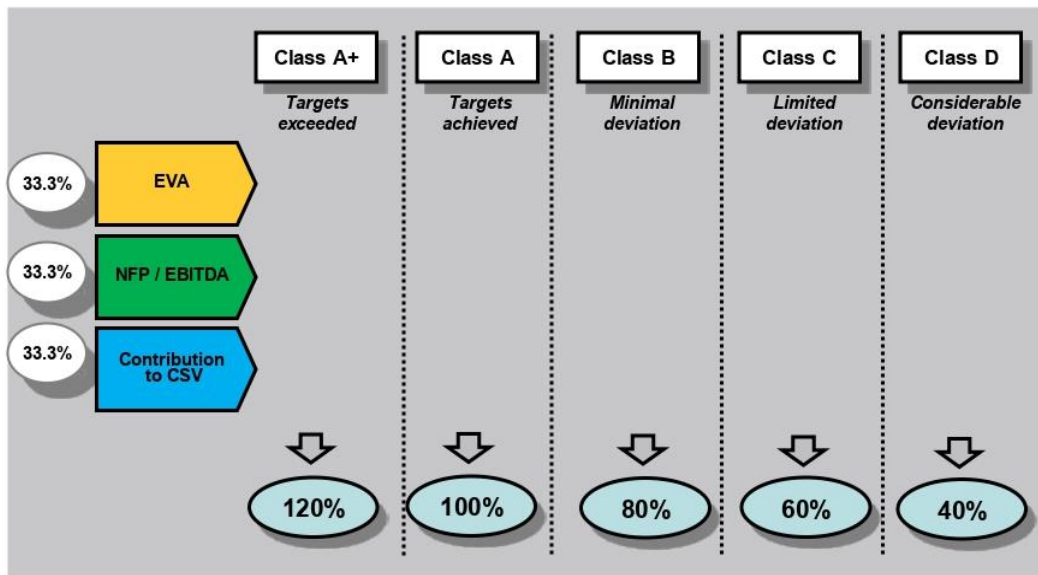
(*) this % becomes 120% for the 2022-2024 three-year period)

- For the remainder of the Group's management who are beneficiaries of the retention plan (2019-2021 three-year reference period with projected disbursement in May 2022)



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

The level of achievement of Group KPIs varies from 40% to 120%, according to the following scheme:



Each indicator is evaluated separately. The achievement 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.

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



The incentive is paid in May of the fourth year, provided that the recipient is still employed. With reference to recipients confirmed in a subsequent long-term incentive plan, in order to limit the risk of them leaving their positions post-disbursement, disbursement is defined in May of the second year (for the 2019-2021 three-year period, disbursement took place in July 2020) in the form of an advance (repaid in the event of termination) of the theoretical amount accrued for the first year of the

three-year period (advance payment for the first year amounting to one third of the total three-year bonus).

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

5.04 Non-monetary benefits and welfare plan

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

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

Payout is directly linked to the level of achievement of the Group KPIs already used 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 (Executive Chairman and Chief Executive Officer): there is a maximum social bonus equal to 6% of 50% of the total gross fixed remuneration (equivalent to 3% of the RAL);
- directors: there is a maximum welfare bonus equal to 6% of 30% of the total gross fixed remuneration (equivalent to 1.8% of the RAL);
- managers: there are two separate levels of maximum welfare bonus, equal to 6% of 22% of the total gross fixed remuneration (equivalent to 1.3% of the 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 an individual quota of 385 euro in 2021.

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.

Lastly, from March 2020 and throughout the year 2021, with a view to confirming the Company's constant attention to protecting the health and well-being of the members of the Board of Directors, the members of the Board of Statutory Auditors and its employees, the Company activated a Covid-19 insurance coverage policy that provides a package of guarantees and services as an additional benefit to support the people working for the Group.

6 Remuneration of Directors

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

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

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

- Executive Directors: the Chairman of the Board of Directors Tomaso Tommasi di Vignano and the CEO Stefano Venier;
- Non-executive Directors: the Vice Chairman of the Board of Directors Gabriele Giacobazzi, and Directors Fabio Bacchilega, Danilo Manfredi, Alessandro Melcarne, Lorenzo Minganti, Monica Mondardini, Erwin P.W. Rauhe, Manuela Cecilia Rescazzi, Paola Gina Maria Schwizer, Federica Seganti, Bruno Tani, Alice Vatta and Marina Vignola.

6.01 Non-executive Directors

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

The Board of Directors, with regard to the offices held by Directors in Group companies as well as in HERA Group 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 24 June 2020, 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	2020 compensation	2021 compensation
Vice Chairman	85,000 euro	85,000 euro	85,000 euro	85,000 euro	85,000 euro
Member of the Board of Directors	40,000 euro	40,000 euro	40,000 euro	40,000 euro	40,000 euro
Member of Hera Group committees and/or the Board of Directors of Group companies	20,000 euro	20,000 euro	20,000 euro	20,000 euro	20,000 euro

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

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

6.02 Executive Directors

6.02.01 Fixed compensation

With regard to the offices of Executive Chairman and Chief Executive Officer, as in the previous year, a fixed annual emolument of 380 thousand euros gross each was confirmed (as approved by the Board of Directors on 24 June 2020, with effect from 29 April 2020), including the compensation envisaged for this office as well as the offices held in Group companies. This remuneration, valid for the entire duration of the term, was determined by taking into account their positioning with respect to the market and the benchmark levels reported for top positions in listed multi-utility companies.

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

6.02.02 Short-term variable compensation

With reference to the variable component of short-term remuneration, for the year 2021 the Executive Chairman and Chief Executive Officer have been awarded a variable remuneration linked to the achievement of Group performance objectives as follows: a bonus equal to 50% of their fixed annual emolument will be paid upon achievement of the target economic and financial results (Ebitda, net result and CSV Ebitda) for 2021 and the results of the 2021 customer satisfaction survey (ICS).

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

In order to facilitate a comparative reading of the remuneration elements for the last 2 years, the company results for 2020 and 2021 are shown below.

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

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

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

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

The short-term variable bonus accruing in 2021, on the other hand, was 57.5% (115.0%x50%) of the gross fixed annual remuneration (equal to the theoretical maximum) 2020 amounted to 42.7% (106.8%x40%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 46% of the fixed gross annual remuneration).

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

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

6.02.03 Group welfare plan

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

The maximum value, on achieving 100% of plan objectives, is 6% of the individual theoretical variable, for 2021, specifically:

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

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

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

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

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

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

The value of the welfare plan accrual for 2020 (paid in 2021) for the Executive Chairman and Chief Executive Officer is therefore 1.1% (6%x40%x45%) of fixed annual gross emoluments (compared to the maximum theoretical bonus of 2.4% of fixed annual gross emoluments).

The value of the welfare plan accruing in 2021 (to be paid in 2022) for the Executive Chairman and Chief Executive Officer is therefore 3.0% (6%x50%x100%) of gross fixed annual emoluments (equal to the theoretical maximum).

Finally, with reference to the implementation of the Group's welfare system launched in 2016 that provides for the allocation of an annual quota to all Group employees that can be spent on the services available under the existing corporate welfare plan, access to a Flexible Benefit plan has been established for the Chief Executive Officer, in line with his position as a Group manager, resulting in the allocation of a quota of 385 euros in 2021. This quota is the same for the entire company population.

6.02.04 Deferred variable compensation for retaining managers

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 113.33% 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.

This percentage was determined in light of the 24 June 2020 Board of Directors' resolution to raise from 100% to 120% the maximum theoretical value of the plan relating to the 2019-2021 three-year period upon achievement of 100% of the targets, effective from 2020.

Since the CEO was confirmed as one of the recipients of the 2019-2021 long-term incentive plan, the theoretical amount accrued for the first year of the 2019-2021 three-year period was disbursed in July 2020 as an advance (to be repaid in the event of termination of the employment relationship) (advance payment of the first year equal to 33.33% calculated on the basis of the maximum bonus previously established for 2019).

The results of the 2019-2021 three-year period related to the set objectives (KPI) are represented below:

Weights (A)	KPI	Target	Result achieved	Result as compared to the target	Level of achievement (B)	Result (AxB)
33.3%	Hera Group EVA (mln)	377.0	534.0	Exceeded	120%	(A+) 40.0%
33.3%	Hera Group PFN/EBITDA	2.84	2.66	Exceeded	120%	(A+) 40.0%
33.3%	Contribution to Hera Group CSV (%)	40%	45.9%	Exceeded	120%	(A+) 40.0%
100%						120.0%

The variable bonus resulting from the retention plan for the Chief Executive Officer is, therefore, equal to 136.0% (120.0% \times 113.33%) of the gross fixed annual emolument referring to December 2021 (equal to the theoretical maximum).

The amount will be disbursed in 2022 net of the advance already disbursed in July 2020, upon approval of the relevant financial statements by the Shareholders' Meeting, and on condition that, at that date, he has retained his positions with the Group companies for all intents and purposes.

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

With regard to the offices of Executive Chairman and Chief Executive Officer, the theoretical composition of the maximum remuneration package for 2021 is summarized below:

Executive Chairman

Annual gross compensation	380,000 euro
Short-term variable compensation (max. 57.5% of the RAL)	218,500 euro
Welfare plan (max. 3.0% of the RAL)	11,400 euro
Deferred variable compensation (pro-rata annual max in the amount of 1/3 of 120% of the RAL, equal to 40%)	152,000 euro
Total	761,900 euro

Chief Executive Officer

Annual gross compensation	380,000 euro
Short-term variable compensation (max. 57.5% of the RAL)	218,500 euro
Welfare plan (max. 3.0% of the RAL) + Flexible Benefit plan	11,785 euro
Deferred variable compensation (pro-rata annual max in the amount of 1/3 of 120% of the RAL, equal to 40%)	152,000 euro
Total	762,285 euro

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

7 Compensation

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

Already with the previous renewal of the Board of Directors in 2017, a clause was inserted for Executive Directors establishing that, in case of removal from office (except for cases of just cause), he or she will be paid an amount, as compensation for damages, comprehensive of any other claim, equal

to the sum he or she would have received as remuneration, pursuant to art. 2389 of the Civil Code in the amount of 18 monthly salaries.

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

7.02 Claw-back clause

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

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

8 Board of Statutory Auditors compensation

8.01 Board of Statutory Auditors composition

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

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

8.02 Remuneration allocated to the Board of Statutory Auditors

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

Office	2017 compensation	2018 compensation	2019 compensation	2020 compensation	2021 compensation
Chairman	120,000 euro	120,000 euro	120,000 euro	120,000 euro	120,000 euro
Standing Auditors	80,000 euro	80,000 euro	80,000 euro	80,000 euro	80,000 euro
Alternate Auditors	----	----	----	----	----

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

SECTION II - REMUNERATION COMPONENTS

Introduction

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

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

FIRST PART

9 Description of the compensation paid to directors

The following section contains, for each figure, the values of the individual components of remuneration pertaining to the financial year 2021 or paid or to be paid for results achieved in that financial year, as well as the remuneration actually paid in 2021 in relation to the degree of achievement of the objectives attained in the previous year.

9.01 Executive Chairman

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

With reference to the short-term monetary bonus pertaining to 2021 (to be paid in 2022), an amount of 218,500 euros gross was recorded, following the achievement of an overall performance index equal to 115.0%..

With reference to the welfare plan for 2021 (to be disbursed in 2022), he has also accrued the right to an additional bonus of 11,400 euros that can be spent as part of the services available under the current company welfare plan, following the achievement of an overall performance index equal to 100%.

Finally, with reference to the annual pro-rata share of deferred variable remuneration for management retention, a gross amount of 152 thousand euros was accrued in relation to 2021, on the assumption that 100% of the objectives for the end of the three-year period will be achieved by 2022.

9.02 Chief Executive Officer

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

In 2021, his fixed remuneration amounted to 385,625.25 euros gross, including seniority brackets, unused holidays and benefits accrued as a Group manager.

With reference to the short-term monetary bonus pertaining to 2021 (to be paid in 2022), an amount of 220,430.20 euros gross was recorded, following the achievement of an overall performance index equal to 115.0%.

With reference to the welfare plan for 2021 (to be disbursed in 2022), he has also accrued the right to an additional bonus of 11,500.71 euros that can be spent as part of the services available under the current company welfare plan, following the achievement of an overall performance index equal to 100%.

With reference to the variable bonus deriving from the retention plan for the 2019-2021 three-year period, a total amount of 521,365.34 euros gross was recorded, following the achievement of an overall performance index of 136.0%. This amount will be paid following approval of the related financial

statements by the Shareholders' Meeting, and on condition that, as at that date, he has retained his positions to all intents and purposes with the Group companies, net of the advance payment already made in July 2020 equal to 127,785.62 euros gross.

9.03 Vice Chairman

As of 29 April 2020, Gabriele Giacobazzi was appointed to the position of Vice Chairman, and was paid, for the year 2021, a fixed annual gross remuneration of 85 thousand euros, which the administrative body established, confirming the amount, on 24 June 2020 with effect from 29 April 2020.

9.04 Non-executive Directors

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

9.05 Statutory Auditors

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

9.06 Compensation received in Group companies

Remuneration for the Executive Directors, Directors, and Managers for positions held within Group company structures and/or committees, are redirected in their entirety to Hera Spa. The total redirected to the Parent Company for the year 2021 was 639,968 euros.

The cost of the Hera Spa Board of Directors for the year 2021 was 925,032 euro, net of remuneration amounting to 639,968 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.

9.07 Comparative information

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

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

The deferred variable compensation figures for management retention with respect to the Executive Chairman (2020-2022 three-year period) represent a theoretical annual amount, while for the Chief Executive Officer (2019-2021 three-year period) they represent the annual accrual recalculated in relation to the actual results achieved at the close of the 2019-2021 three-year plan.

Executive Chairman

Remuneration component	Accruing in 2019	Accruing in 2020	Accruing in 2021
Fixed compensation	380,000	380,000	380,000
Short-term variable remuneration	167,960	162,260	218,500
Theoretical deferred variable compensation for management retention	0	152,000	152,000
Welfare plan	6,384	4,104	11,400

data expressed in euros

Chief Executive Officer

Remuneration component	Accruing in 2019	Accruing in 2020	Accruing in 2021
Fixed compensation	383,937	386,626	385,625
Short-term variable remuneration	168,702	163,693	220,430
Deferred variable compensation for management retention	153,343	184,011	184,011
Welfare plan	6,412	4,140	11,501
Additional one-time monetary compensation	0	600,000	0

data expressed in euros

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

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

data expressed in thousands of euros

* Newly appointed directors

Average gross annual remuneration for Hera Group full-time employees

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

data expressed in thousands of euros

Company results:

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

	2019	2020	2021	Changes reported 2019/2020.	Changes reported 2020/2021
Revenues	6,912.8	7,079.0	10,555.3	+2.40%	+49.11%
EBITDA	1,085.1	1,123.0	1,223.8	+3.49%	+8.98%
Operating revenues	542.5	551.3	611.7	+1.62%	+10.96%
Net income after minorities*	300.8	302.7	333.5	+0.63%	+10.18%
Net debt	3,274.2	3,227.0	3,261.3	(1.4%)	1.06%
Financial leverage (Net debt/EBITDA)	3.02x	2.87x	2.66x		

data expressed in millions of euros

*Figure excluding extraordinary income

Bologna, 23 March 2022

The Executive Chairman of the Board of Directors

Tomaso Tommasi di Vignano

SECOND PART

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

Administrative body

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Tomaso Tommasi di Vignano	Executive Chairman	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				380,000		370,500		19,413	2,221	772,134		
(II) Compensation from subsidiaries and associated companies												
(III) Total				380,000		370,500		19,413	2,221	772,134		

Notes

Of which 218,500 euro related to the short-term variable component accruing in 2021 and 152,000 related to the deferred variable component for management retention accruing in 2021, assuming the achievement of 100% of the three-year end targets in 2022

Of which 8,013 related to auto and insurance benefits and 11,400 related to the welfare plan accruing in 2021

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Stefano Venier	Chief Executive Officer	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				385,625		404,442		32,727	1,884	824,678		
(II) Compensation from subsidiaries and associated companies												
(III) Total				385,625		404,442		32,727	1,884	824,678		

Notes						Of which 220,430 euro related to the short-term variable component accruing in 2021 and 184,011 related to the deferred variable component for management retention accruing in 2021, calculated in relation to the results actually achieved at the close of the 2019-2021 three-year plan						
				Includes 3,357 of seniority increments and 2,268 of unused vacation time			Of which 21,226 related to car, guest house, insurance and pension benefits and 11,501 related to the welfare plan accruing in 2021					

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Gabriele Giacobazzi	Vice Chairman	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				85,000				17,150		102,150		
(II) Compensation from subsidiaries and associated companies												
(III) Total				85,000				17,150		102,150		

Notes

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Fabio Bacchilega	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			769		60,769		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			769		60,769		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Danilo Manfredi	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000				429		40,429		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				429		60,429		

Notes (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Alessandro Melcarne	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			292		60,292		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			292		60,292		

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of the employment relationship
						Bonuses and other incentives	Profit sharing					
Lorenzo Minganti	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			423		60,423		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			423		60,423		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Monica Mondardini	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000					60,000		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000					60,000		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Erwin P.W. Rauhe	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			1,328		61,328		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			1,328		61,328		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Manuela Cecilia Rescazzi	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000				838		40,838		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				838		60,838		

Notes

(II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Paola Gina Maria Schwizer	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			551		60,551		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			551		60,551		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Federica Seganti	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			521		60,521		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			521		60,521		

Notes

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Bruno Tani	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000				2,508		42,508		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				2,508		62,508		

Notes (II) for offices held in Group companies

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Alice Vatta	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000	20,000			340		60,340		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			340		60,340		

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

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Marina Vignola	Director	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				40,000				405		40,405		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				405		60,405		

Notes (II) for offices held in Group companies

Control body

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Myriam Amato	Chairman of the Board of Statutory Auditors	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				120,000				347		120,347		
(II) Compensation from subsidiaries and associated companies				152,150						152,150		
(III) Total				272,150				347		272,497		

Notes

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Marianna Girolomini	Standing Auditor	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				80,000				405		80,405		
(II) Compensation from subsidiaries and associated companies				85,285						85,285		
(III) Total				165,285				405		165,690		

Notes

First and Last name	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or employment relationship
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	Standing Auditor	01-Jan-21 31-Dec-21	Annual Financial Report approval at 31-Dec-22									
(I) Compensation in the company preparing the financial statements				80,000				530		80,530		
(II) Compensation from subsidiaries and associated companies				88,900						88,900		
(III) Total				168.900				530		169,430		
Notes												

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

First and Last name	Office	Plan	Bonus for the year		Bonus for previous years		Other Bonuses	
			(A)	(B)	(A)	(B)		(C)
Tomaso Tommasi di Vignano	Executive Chairman		(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)	218,500					
		Payments in the company preparing the financial statements	Deferred variable for management retention (related approval date)		152,000	2020-2022		
		Plan C (related approval date)						
		Plan A (related approval date)						
Payments from subsidiaries and associated companies		Plan B (related approval date)						
Total			218,500	152,000				
First and Last name	Office	Plan	Bonus for the year		Bonus for previous years		Other Bonuses	
			(A)	(B)	(A)	(B)		(C)
Stefano Venier	Chief Executive Officer		(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)	220,430					
		Payments in the company preparing the financial statements	Deferred variable for management retention (related approval date)		184,011	2019-2021		
		Plan C (related approval date)						
		Plan A (related approval date)						
Payments from subsidiaries and associated companies		Plan B (related approval date)						
Total			220,430	184,011				

Stake holdings by members of administrative and control bodies

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

(1) indirect ownership, through spouse

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

Proposed resolution

Dear shareholders,

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

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

For detailed information on the subject matter of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 23 March 2022 and made available to the public in accordance with the law.

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

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

resolves

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

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

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

For detailed information on the subject matter of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 23 March 2022 and made available to the public in accordance with the law.

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

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

resolves

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

Document approved by Hera Spa's Board of Directors on 23 March 2022,
approved by the Shareholders Meeting on 28 April 2022.

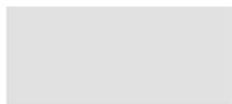
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