6.02 Customers

ENERGY SERVICES CUSTOMERS

thousands	2021	2022	2023
Gas customers	2,072.7	2,094.1	2,112.1
Electricity customers	1,400.9	1,448.9	1,727.5
District heating customers	12.8	12.9	13.0

This data does not include AresGas and its subsidiaries in Bulgaria.

INTEGRATED WATER SERVICE CUSTOMERS

thousands	2021	2022	2023
Water customers	1,478.6	1,483.9	1,493.8

RESIDENTS URBAN WASTE MANAGEMENT SERVICE

	2021	2022	2023
Municipalities served (no.)	189	188	188
Residents served (thousands)	3,220.2	3,195.0	3,201.1

In 2023, the Hera Group also recorded **overall growth in its customer base**, particularly in electricity (+19%). This result confirms the effectiveness of our **growth strategy**, even in the face of the extraordinary events that occurred during the last period.

At the start of 2024, Hera Comm also won the Single Buyer's tender for the Gradual Protected Service for customers in 37 Italian provinces (seven lots in total), which was called in relation to the end of the protected electricity market effective 1 July 2024, thus gaining more than one million new residential customers overall.

We also observed an increase in the number of integrated water service customers following the entry of a new municipality in the Modena area.

Commercial policies

Hera Comm presents itself as an **"enabling" partner for its customers' energy transition** based on several main lines of development:

- the evolution of **digital channels** as amplifiers of the customer's experience with their supply;
- a growing penetration of added value services including **energy efficiency products** and waste-reduction and **plant-maintenance** solutions;
- access to a range of offers for the supply of **gas with greenhouse gas offsetting** (for the first 12 months after activation of the offer) and **electricity from certified renewable sources**; note that all new offers intended for families are proposed as a default with these options.

Along the first line of development, in 2023, the "PiùControllo" [greater control] offers intended for households were created to help customers monitor their daily consumption in synergy with the Consumption Log, thanks to the use of the Hera 2G mobile app, allowing customers with a second-generation meter to monitor their daily consumption in detail, **even on an hourly basis**, and to know in advance in which time slot their energy will cost them less the following day.

The use of the Hera 2G app was further enhanced with the subsequent launch of the new "SM4RT" electricity offer, which harnesses the potential of the latest generation meters, allowing the offer to be customised at any time during the supply period and allowing greater customer engagement, thus promoting an evolution towards a **proactive approach to energy use**, changing lifestyles and consumption habits.

On the services side, in 2023, Hera Comm continued its policy of supporting customers with the sale and installation of **highly energy-efficient systems** (condensing boilers and heat pump air-conditioners) and for the **self-production of energy from renewable sources** (photovoltaic systems). In addition, the offer catalogue was enriched with the introduction of a new innovative range of hybrid condensing boilers, able to efficiently combine the use of the most appropriate energy carrier (gas or electricity). The portfolio of sustainable solutions was then expanded with the new Hera Led Smart offer and the upgrading of the Hera Fotovoltaico Kit Fai da Te [Hera Do-It-Yourself Photovoltaic Kit] offer: the former allows the smart management of home lighting via app; the latter offers the option of installing a photovoltaic micro-plant in "plug & play" mode including for customers with limited home space who cannot install one on their roof.

Last but not least, in 2023, the gamma of **electric-vehicle charger products** was completely overhauled, with the inclusion of connected and app-manageable devices to monitor consumption and schedule car charging.

PENETRATION OF VALUE-ADDED SERVICES AT YEAR-END

%	2021	2022	2023
Penetration of value-added services at year-end	10.9%	14.7%	17.9%

Considering the free market, 17.9% of customers use value-added services, with a predominance of insurance services relating to breakdowns in domestic installations (No problem gas and No problem acqua) and boiler maintenance (Caldaia sicura).

This indicator includes the following products and services: Led, Contawatt, Clima, Fotovoltaico and Fotovoltaico Kit Fai da te, No problem luce; Thermo, Caldaia and Caldaia ibrida in pompa di calore, Scaldacqua, No problem gas; No problem acqua, Caldaia sicura; Sanificaria.

Hera Comm's Sales Network and Commercial Conduct

The sales activity in 2023 recorded a **marked increase in acquisitions** compared to the previous year. This performance was due to the contribution of all sales channels, especially agencies and the inbound call centre, the two leading channels in terms of the number of customers acquired.

Furthermore, the new "master dealer" sales channel, launched at the end of 2022, was completed during the year. This channel involves parties (large structures) that create an affiliation among various types of shops (electrical appliances, telephony, tobacconists, for example) who sell products and services of which the master dealer is the distirbutor. The idea is to use these channels **to further strengthen the company's local presence**, even in small provincial towns and provide the current customer base (and potential future customers) with well-established commercial facilities in the local areas.

In the latter part of the year, informational letters sent to gas customers regarding the end of the protected gas market, illustrating the consequences and opportunities as regards offers on the free market. This resulted in a **greater influx** at the counters and an increase in the number of customers who switched to the free market for gas supplies.

Again in 2023, the **internal control system** for commercial conduct **was markedly enhanced** to guarantee the highest quality in acquisition through the implementation of advanced sales analysis tools.

In addition, in 2023 as well the Hera Group added **other safeguards** for customers to those already required by ARERA, such as afterthought management facilitated by email, regular mail, or fax (not just registered mail). **Obtaining the customer's consent clearly**, responsibly, and unequivocally is of fundamental importance for Hera. To do so, it implemented specific quality controls in line with Consumer Code requirements:

- for contracts offered over the phone, a second call must be made to verify that the customer has received the contract and actually wishes to sign it while monitoring the quality of the sales efforts carried out by our teleselling channel. If the customer cannot be contacted, the contract is blocked automatically. In addition, customers can retrieve the recording of their telephone conversation via the web portal or automated phone system;
- in the case of contracts signed at the customer's home, in addition to mailing the welcome letter, a phone call is made during which either the customer's desire to activate the signed agreements or the customer's intention to exercise their right of withdrawal is verified. In 2023,

more specific questions were also added to the call scripts in order to monitor the quality of the sales channel more effectively and, if necessary, take action against the agent or agency as stipulated in the signed sales mandate.

In 2023, the **active monitoring system was enhanced**, increasing the number of quality control parameters that trigger such monitoring and lowering the thresholds above which sales quality levels are deemed inadequate. This enhancement allowed us to close 2023 with nine times as many agents monitored compared to the previous year. The contracts signed by the monitored agents are not activated if the customer does not respond to the verification calls.

Once again, in 2023, the first part of which was characterised by high and extraordinary volatility in energy carrier costs, Hera Comm neither communicated nor applied unilateral changes in economic conditions caused by the excessive supervening costs to its customers (households, micro-businesses). In fact, Hera Comm only proposed renewal conditions to its customers upon the expiration of supply contracts, notifying them in advance according to the form and timing established by the Code of Business Conduct.

6.03 Cost of services

The Hera Group manages **services held under concession** (integrated water service, waste management, gas and electricity distribution) and **services managed according to free market criteria** (waste disposal, gas and electricity sales).

The **regulatory authorities** (ARERA and the local municipal sanitation authorities) set the tariffs Hera applied for the services under concession; at the same time, Hera freely determines the tariffs for free-market services. For the supply of energy to customers enjoying protected regimes, ARERA sets and updates quarterly (on a quarterly basis for electricity and monthly for gas, as of October 2022) the prices for sales tariffs to customers who have not subscribed to a free market offer. For the water service, on the other hand, ARERA updated the tariff method every three years in general since 2012.

The table below shows the average household expenditure in 2023 compared to the previous year for the four services Hera provided based on the average consumption of gas, electricity and water over the two years considered: 574 m³ for gas (-25% compared to 2022), 1,592 kWh of electricity (-9%) and 109 m³ of water (+3%). For the waste service, we considered a family of three people living in an 80 m² apartment.

The costs of Hera's services for an average customer (real consumption)

euro	2022	2023	Change 2023/2022 (%)	Change 2023/2022 (%)
Gas	1,101.75	611.40	-490.35	-45%
Electricity	878.90	553.37	-325.53	-37%
Water	260.60	272.31	+11.71 €	+4.5%
Waste	250.74	252.05	€ +1.31	+0.5%
Total	**2,488.97**	**1,689.13**	**-802.86**	**-32%**
of which paid by Hera	*743.77 (30%)*	*758.00 (45%)*	*+14.23*	*+2%*
of which falling under raw materials and generation	*1,433.80*	*645.35*	*-788.45*	*-55%*
of which duties, taxes, system charges, and other charges	*314.43*	*285.76*	*-28.67*	*-9%*

Bill of a residential customer with an average annual consumption of gas, electricity, and water and, for waste disposal, considering a three-person household in a house measuring 80 m².

In 2023, the average household spent a total of almost 1,690 euro on the services supplied by Hera, 32% less than in 2022, amounting to approximately 803 euro. Compared to 2022, the main impact was the decrease in the prices of the raw material component of the **gas and electricity bills** (788 euro less, 450 euro for gas and 338 euro for electricity). The water service recorded an increase of 12 euro compared to 2022. Lastly, the cost of waste bills remained essentially steady.

44.9% of overall spending, amounting to 758 euro, was attributable to the components of bills paid by Hera. This free increased by 14 euro in 2023, broken down as follows: -9 for gas, +8 euro for electricity, +10 euro for water and +5 euro for waste.

The costs of Hera's services for an average customer (constant consumption)

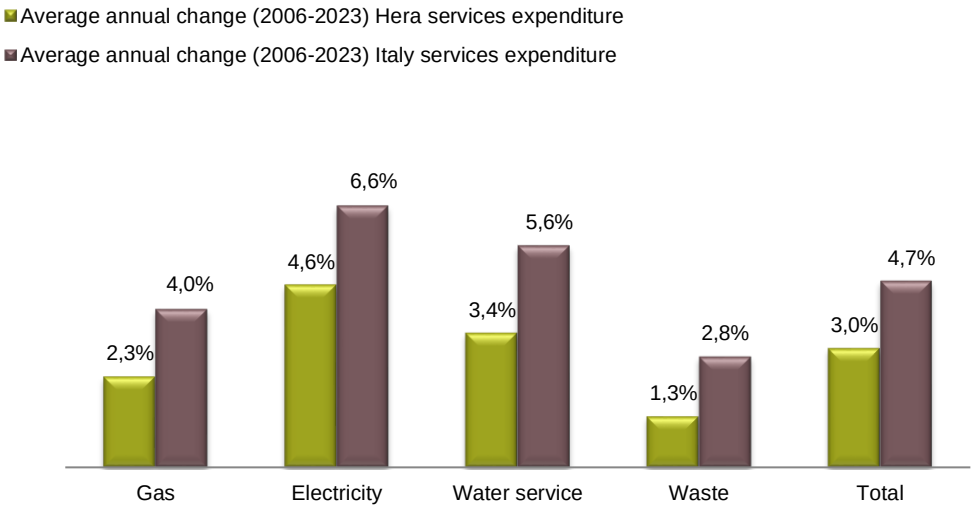
euro	2022	2023	Change 2023/2022 (%)	Change 2023/2022 (%)
Gas	1,714.46	1,207.67	-506.79	-30%
Electricity	1,308.92	860.71	-448.21	-34%
Water	305.41	305.58	+0.16 €	+0.1%
Waste	250.74	252.05	+1.31 €	+0.5%
Total	**3,579.54**	**2,626.01**	**-953.53**	**-27%**
of which paid to Hera	*818.89 (23%)*	*838.86 (32%)*	*+19.97*	*+2%*
of which falling under raw materials and generation	*2,271.09*	*1,252.21*	*-1,018.88*	*-45%*
of which duties, taxes, system charges, and other charges	*489.56*	*534.94*	*+45.38*	*+9%*

Bill of a residential customer with an annual consumption of 1,200 m³ of gas, 2,700 kWh of electricity, 130 m³ of water, and, for waste disposal, considering a three-person household in a house measuring 80 m². For the other conditions taken into account, see the following pages.

Based on an analysis considering equal volumes consumed by an average Hera customer in 2023, the overall cost of services was 27% lower than in 2022, i.e., approximately 954 euro. This decrease derived mainly from the lowering of the gas and electricity raw material costs (-1,019 euro) compared to the sharp increase characterising 2022; increasing, on the other hand, were:

- the bill components paid by Hera (+20 euro). This increase corresponded to +5 euro in the gas bill, +10 euro in the electricity bill and +5 euro in the waste bill;
- taxes, fees, system charges and other charges that are not incumbent on Hera (+45 euro), which had been reduced in 2022 thanks to government intervention to counter energy bill increases.

COMPARISON BETWEEN BILLS FROM 2006 TO 2023 AND INFLATION (ANNUAL AVERAGE INCREASE, CAGR)



The long-term analysis shows that, between 2006 and 2023, Hera bills in Emilia-Romagna had an average annual compound increase less than the Italian average (+3% vs. +4.7%) (Source: Eurostat).

Gas Bills

The Regulatory Authority for Energy, Networks and Environment (ARERA) sets out the information that must appear on the bill. There are four cost items outlined below.

The **expense for natural gas material** includes amounts related to the different commercial activities performed by the seller to supply natural gas to the end customer. Until September 2022, the purchase cost of raw materials was indexed according to the gas price at the Dutch hub TTF, which reflects the European market costs; as of October 2022, the raw material cost reflects the prices seen on the Italian Virtual Trading Point (PSV) hub. The **sales charge** (paid by Hera), based on the economic conditions of the supply for the protected service, is governed by the "Uniform Code Governing Retail Sales of Natural Gas" attached to ARG/gas resolution 64/2009. For customers served under the protected regime who receive their bill in electronic format and who have activated an automatic debit payment method, a discount for the electronic bill introduced by Resolution 610/2015/R/com is applied for this item.

The **expense for transporting and managing meters** includes the amounts related to the different activities performed by the sellers to supply natural gas to the end customers. It includes **distribution and metering tariffs** (paid by Hera), transportation and any municipal charges to cover the concession fees for the distribution service. The Authority updates it every year and tailors it for the seven macro-regional areas into which the country is subdivided. The fixed rates for the distribution and metering charges are structured by the metering unit class (meter class) installed at the point of supply. In contrast, the G4 metering class was taken as the reference for an average household with a consumption of 1,200 Sm^3/year.

Another part of the bill comprises components to cover **system charges**, i.e., amounts intended to cover costs related to activities of general interest for the gas system (e.g. costs for promoting energy saving) and are paid by all end customers of the service. Distributors pay the relevant revenue to the fund for energy and waste management services.

Lastly, **taxes** include consumption taxes, additional regional taxes and VAT. Taxes are set by specific provisions by the Ministry of the Economy and Finance and the regional government authorities and vary according to use (whether for heating, cooking, or industrial uses). Consumption tax (excise duty) is applied to the quantity of gas consumed. In contrast, VAT is applied to the total amount of the bill, including excise duty. To cope with rising raw material costs, the government reduced the value of VAT charged on consumption to 5 % for the whole of 2022; this reduction was confirmed the following year. The regional additional tax applies to the quantity of gas consumed. It is established autonomously by each region within the limits set by law.

GAS BILLS

euro	2021	2022	2023
Natural gas expense	474.60	1,333.22	787.08
of which: sales fee	*72.80*	*76.21*	*74.40*
Meter management and transportation expense	184.82	245.13	325.87
of which: distribution and measurement charge	*124.07*	*120.11*	*126.62*
System charges	30.32	-173.39	-191.14
VAT	105.92	81.64	57.51
Other taxes	228.67	227.86	228.35
Total	**1,024.32**	**1,714.46**	**1,207.67**
of which: fee paid by Hera	*196.87 (19%)*	*196.32 (11%)*	*201.02 (17%)*

Bill of a residential customer with an annual consumption of 1,200 m^3 of gas and with direct debit and e-billing. A customer under the protected market regime was considered based on the economic conditions set by the Regulatory Authorities: 24% of Hera's residential customers are included in this category. Municipalities considered: Bologna, Ferrara, Forlì, Imola, Modena, Padua, Pesaro, Ravenna and Trieste (weighted average of resident citizens). The grey areas show tariff components that were paid by Hera. The complete data on gas supply tariffs is available on the Group's website.

With consumption being equal, in 2023, the gas bill of a Hera household customer under the protected regime cost 507 euro less (-30%) than in the previous year. The expense for natural gas, which underwent a sudden since the end of 2021, started to decrease again (-41%), while the meter

transportation and management expense increased by 81 euro (+33%) %) for ARERA's update of the QTt tariff component. System charges resulted in a credit balance in 2023 also thanks to the intervention by the Authority, which cancelled the rates of the RE, GS and UG3 tariff components and applied the negative UG2 component (relating to compensation for the retail sales marketing costs to the benefit of gas consumption up to 5,000 cm³/year. VAT on gas was also confirmed to be 5% for 2023, thus decreasing by 24 euro (-30%). Hera's fee, which includes the marketing fee and the distribution and metering tariff, increased slightly (about 5 euro); its weight on the overall bill was 16.6%.

2023 was influenced not only by particularly mild winter weather but also by a new calculation method ARERA introduced in July: the gas price component covering procurement costs (CMEMm), applied to customers in the protected regime, was updated as a monthly average of the Italian wholesale market price (Virtual Trading Point (PSV) day-ahead) and published within the first two working days of the month following the reference month (applied starting in October 2022 and valid for the entire 2023 calendar year). During 2023, wholesale prices fluctuated from a maximum of 68.37 euro/MWh in January to a low of 31.42 euro/MWh in July, to a value of 36.31 euro/MWh in December.

Electricity bills

The Regulatory Authority for Energy, Networks and Environment (ARERA) sets out the information that must appear on the bill. There are four cost items outlined below.

The **electricity expense** includes amounts related to the different commercial activities the seller performed to supply electricity to the end customer. In addition to the energy generation fee, this item includes the dispatching and **marketing** tariffs (the latter, for which Hera is responsible, is regulated by the "Integrated text of the provisions of the regulatory authority for energy networks and the environment for the provision of electricity sales services of last resort" attached to Resolution 491/2020/R/eel). For customers served under the protected regime who receive their bill in electronic format and who have activated an automatic debit payment method, a discount for the electronic bill (Resolution 610/2015/R/com) is applied.

The **expense for transporting and managing meters** includes amounts related to the various activities the seller performed to supply electricity to the end customers. This item includes the **transportation, distribution and measurement fee** (paid by Hera).

System charges cover the costs of general-purpose activities for the electricity system (including, for example, the development of energy from renewable sources). They are paid by all end customers of the electricity service.

Lastly, **taxes** include a consumption tax (excise duty) and VAT. The excise duty was applied to the amount of energy consumed; household customers with a power output of up to 3 kW benefited from preferential rates for supply to their place of residence. VAT was applied to the total amount of the bill, including excise duty. For household users, it amounted to 10% and for non-household users to 22%; some productive activities enjoyed a reduced rate of 10%.

ELECTRICITY BILLS

euro	2021	2022	2023
Electricity expense	364.49	1,064.29	596.21
of which: sales fee	*48.95*	*50.21*	*56.68*
Meter management and transportation expense	108.24	103.85	107.66
of which: transportation, distribution and measurement charge	*105.68*	*101.29*	*105.10*
System charges	72.86	0.00	56.80
VAT	56.74	118.99	78.25
Other taxes	21.79	21.79	21.79
Total	**624.13**	**1,308.92**	**860.71**
of which: fee paid by Hera	*154.63 (25%)*	*151.50 (12%)*	*161.78 (19%)*

Bill for a residential customer with a 3 kW installed electrical capacity contract, whose yearly consumption totals 2,700 kWh, with direct debit and e-billing. A customer under the highest protected market conditions was considered based on the economic conditions set by the Regulatory Authorities: 5% of Hera's residential customers were in this category. The grey areas show tariff components that were paid by Hera.

For the same consumption, on average, the 2023 electric power bill of a Hera household customer under the protected market regime cost approximately 448 euro less (-34%) than the previous year. The electricity expense increased by 468 euro (-44%), while the expense for managing and transporting meters increased by 4 euro (+4%). System charges came to 57 euro, after being reduced to zero in 2022 thanks to government measures, while taxes decreased by 41 euro (-29%, proportionally to the total bill). Hera's fee, which includes the sales and distribution fees, increased by 10 euro; its weight on the overall bill was 19%).

Water Service Bills

The average expenditure for the integrated water service varies among the areas Hera serves: it depends on the specific supply sources of the various areas served, the availability of water resources and the distance from the withdrawal source.

Since 2012, ARERA has been responsible for regulating the water service. The 2022-2023 Tariffs were established by ATERSIR in December 2022. The tariffs also include the balances from previous years, determined in compliance with the tariff method rules.

WATER SERVICE BILLS

euro	2021	2022	2023
Aqueduct	113.11	117.92	123.88
Sewerage network	34.96	36.38	34.85
Purification	86.11	89.67	87.19
Fixed fee	17.95	18.70	16.77
Equalisation components	10.33	15.30	15.11
VAT (10%)	26.25	27.45	27.78
Total	**288.71**	**305.42**	**305.58**
of which: fee paid by Hera	*252.13 (87%)*	*262.67 (86%)*	*262.69 (86%)*

Bill of a residential customer (household of three) with a yearly consumption of 130 m³. Municipalities taken into account: Bologna, Ferrara, Forlì, Imola, Modena, Padua, Pesaro, Ravenna, Rimini, and Trieste (weighted average of residents). The grey areas show tariff components that were paid by Hera. The total for the previous year with respect to the reporting year was updated based on updates in the equalisation components introduced after the previous report was drafted.

In 2023, the average bill of a residential customer with consumption of 130 m³ per year totalled 306 euro, stable compared to 2022.

The equalisation components are tariffs established by the Authority that operators must apply to end users for the three services: water, sewage and purification. They are allocated to cover the tariff concessions granted to populations affected by seismic events, to promote the quality of aqueduct, sewerage and purification services, to cover the costs of the water bonus, and to cover the operating costs of the Guarantee Fund for Water Works.

The leak fund for hidden water leaks

In 2014, Hera Spa set up the "**Leakage Fund**", a mechanism to **protect water service users** who, as a result of **hidden water leaks** on the system they own, find themselves having to pay a bill with even very high amounts. Joining the Leakage Fund, which is voluntary and from which it is possible to withdraw at any time by means of a simple communication, entails the payment of an annual fee (15 euros, charged on the bill) to guarantee partial coverage of bills with consumption resulting from accidental and unknown leaks along the user's private network. All membership fees set aside in the Leakage Fund are at the total and exclusive disposal of the coverage of the higher charges of customers who have suffered a loss. In this way, a member customer who has detected a hidden leakage could be **reimbursed the amount billed** in respect of volumes exceeding 80% of the average customary consumption, up to a maximum of 10,000 euro.

As of July 2022, the national regulatory authority (ARERA) also intervened (**Resolution 609**/2021) to institute tariff protections to be guaranteed to all users in the event of hidden leakage downstream of the meter. The tariff protections instituted by Arera only partially cover the cost of the water bill for leakage consumption. In particular:

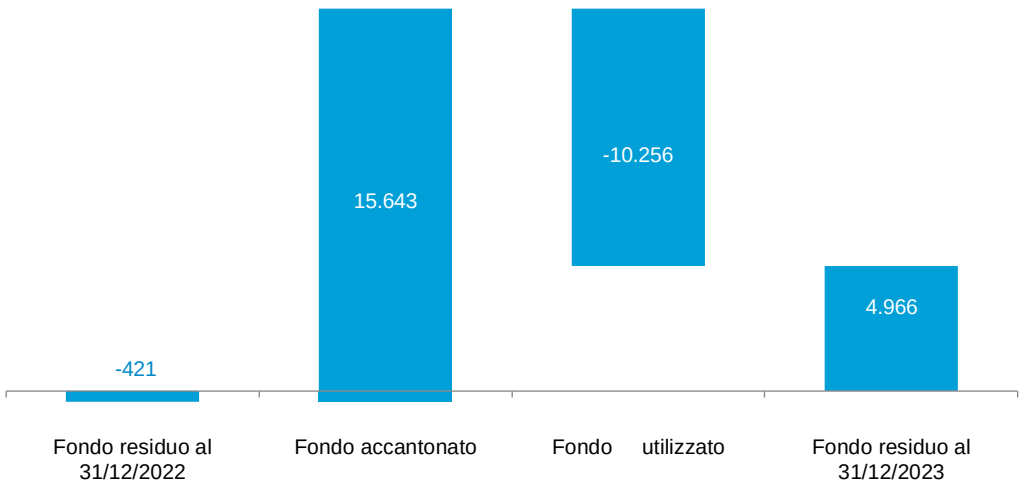
- for the aqueduct service, a tariff equal to half of the basic tariff was applied to the volume exceeding the average daily consumption, subject to an exemption on billable volumes equal to 30%;
- it is also possible to access the protection mechanism only if the leakage consumption is at least twice the average daily reference consumption and, in the case of close events, users will be able to access the minimum protection at the earliest three years after the last access.

Therefore, as of 1 July 2022, the Leakage Fund set up by Hera Spa in 2014 was in any case maintained, but is only used to supplement what is not covered by the protection mechanism set up by Arera.

The lower utilisation of the Leakage Fund as a result of ARERA's protections made it possible to revise from July 2022 the Regulation set up in 2014 to increase the coverage ceilings (from 10 to 20 thousand euro), as well as to reduce the fund membership fee applied to users, which, as of 01 July 2023, was redetermined as follows:

	Up to 30 June 2023	From 1 July 2023
Annual membership fee	10 euro per year + VAT as per contract (fixed fee) + 5 euro per year + VAT per real estate unit (variable fee)	6 euro per year + VAT as per contract (fixed fee) + 3 euro per year + VAT per real estate unit (variable fee)

WATER LEAK FUND (THOUSANDS OF EURO)



LEAK FUND AND BENEFICIARY CUSTOMERS

	2021	2022	2023
Funds disbursed (thousand euro)	19,901	14,303	10,256
Beneficiary customers	14,031	13,564	13,781
Average reimbursement (euro)	1,418	1,054	744

On 31 December 2023, the fund had a positive balance of 5.0 million euro. The balance, for 2023 alone, was positive by approximately - 5.4 million euro. Since its creation, the fund **has reimbursed more than 119 thousand users, paying them over 154 million euro**. During 2023, 13,781 users benefited from the fund with an average reimbursement of 744 euro. Less than 4% of Hera Spa customers were not covered by the "Leak fund" as a result of cancellations communicated by customers. In 2023, 301 customers withdrew from the fund.

Since the fund was intended exclusively for the benefit of its member customers, and considering that the monthly balances were still positive throughout 2023 (for the first time since 2017), interest of 167,000

euro was calculated in favour of the fund. In light of the fund's positive balance on 31 December 2023, the possibility of **a further reduction in the leak fund membership fee** will be assessed during the first half of 2024.

AcegasApsAmga also took out an insurance policy against hidden water leaks (integrating the ARERA protection) that covers all customers of this service at a cost of 5.20 euro per year for household users and 8.20 euro per year for non-household users. In 2023, 498 claims were settled, 166 in Trieste of which and 332 in Padua.

Waste Collection and Disposal Bills

The January 2014 Stability Law established two tariff regimes for waste management services in municipalities that had implemented systems for measuring the waste delivered to the public service: the **Waste Tax (TARI)**, which is in the form of a tax, and the **Spot Fee Tariff (TCP)**, which is in the form of a fee. These two tax regimes are meant to ensure full coverage of costs for the waste management service, which includes street sweeping and washing, waste collection and transportation, sorted waste collection, waste treatment and disposal, and administrative costs.

In the area served by Hera Spa, 114 municipalities applied TARI (two of which have chosen to entrust their collection to Hera); in comparison, 22 municipalities applied TCP (including a provincial capital, Ferrara). In the remaining 52 municipalities served by AcegasApsAmga and Marche Multiservizi, TARI was applied.

Since its launch in 2017 in a municipality in Emilia Romagna, the **TCP system** reached approximately **453 thousand inhabitants in 22 municipalities** in 2023, equal to 18.4% of the residents of Emilia-Romagna served by the Hera Group through the integrated management of municipal waste.

For these municipalities, the new quantity-based collection services were activated, and personal disposal equipment was distributed to all residents and companies. For an effective and consistent introduction of the new tariff model and the new services, special control rooms were set up jointly between Hera and the municipal administrations.

The necessary communication initiatives have also been launched to inform and engage users regarding how the new system will be introduced. In fact, it should be noted that any quantity-based changes to the collection service that may affect the calculation of tariffs are communicated to residents by publicising them widely, e.g. through bills, *ad-hoc* communications and on the website.

Hera manages the application of TCP thanks to the integrated management of systems and processes that have allowed all aspects and stages of the Groups model to be applied effectively and uniformly, from user management to the measurement of mixed waste disposed and up to final invoicing. The TCP is a **fairer and more transparent way to finance waste management services**. It can promote virtuous behaviour and participation in sorted waste collection.

In all of the municipalities using the TCP system except two, the sorted collection exceeds 75%, with peaks of more than 90% in five municipalities.

WASTE COLLECTION AND DISPOSAL BILLS

euro	2021	2022	2023
Fixed fee	102.92	102.38	105.69
Variable fee	102.37	106.02	107.68
Fixed and variable fees not paid by Hera	31.10	30.58	25.94
Additional provincial charges	13.00	11.76	12.74
Total	**249.39**	**250.74**	**252.05**
of which: fee paid by Hera	*205.29 (82%)*	*208.40 (83%)*	*213.37 (85%)*

Bill of a residential customer (three-person family in a house measuring 80 m²). Municipalities taken into account: Bologna, Ferrara, Forlì-Cesena, Imola, Modena, Padua, Pesaro, Ravenna, Rimini, and Trieste (weighted average of residents). For Ferrara (which as of 1 January 2018 uses the TCP system), 40 disposals of 30 litres each were also taken into account, and for Cesena (under the TCP as of 1 January 2023) 35 disposals of 40 litres. The grey areas show tariff components that were paid by Hera.

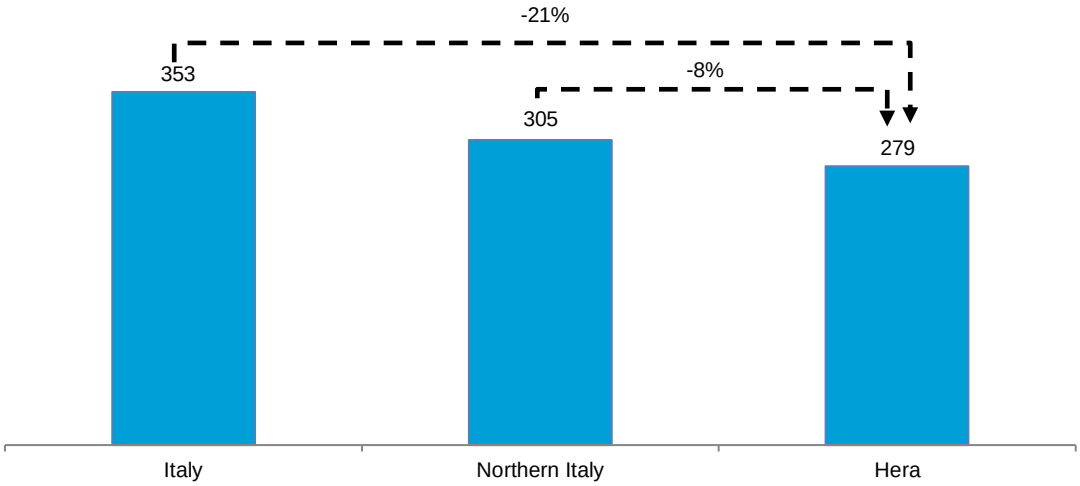
A three-person family living in an apartment measuring 80 m² paid approximately 252 euro for waste collection and disposal in 2023, a stable amount compared to the previous years (+1.3 euro). Increases

were recorded in Ravenna (+8 euro, +3%), Padua (+17 euro, +7%) and Pesaro-Urbino (+9 euro, +4%) due to certain initiatives that affected the service (the evolution of separate collection services and the quality of the material collected, the strengthening of controls in the local area). On the other hand, the bill decreased by 19 euro (-7%) in Ferrara. These variations, in TARI municipalities, are consistent with the resolutions of the municipalities, which, every year, re-evaluate the fixed and variable quotas useful for calculating household tariffs and in line with the variations recorded at the level of the approved Economic and Financial Plans.

The cost of waste management services for household and non-household customers

In 2023, Hera guaranteed its residential customers waste management service costs 21% below the Italian average and 8% below the Northern Italy average: these were the findings of the "Cittadinanzattiva" Price and tariff monitoring survey, which focused on 100 provincial capitals (municipalities in which the spot tariff was applied were not considered). The study based its findings on a standard customer consisting of a family of three living in a 100 m² apartment.

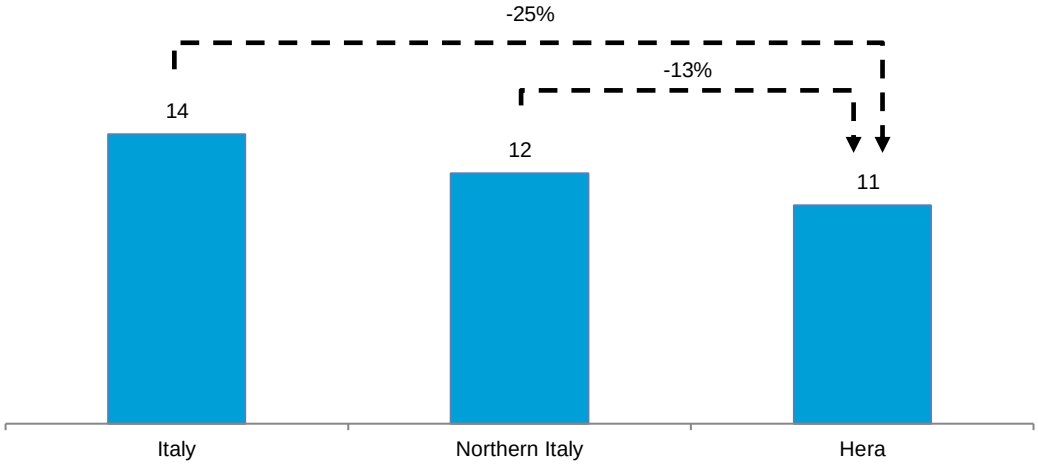
AVERAGE YEARLY EXPENSE FOR A HOUSEHOLD (EURO)



2023 Data, 3 people 100 m², Source: Cittadinanzattiva

Considering TARI for four types of non-household users in 101 provincial capitals served by Hera, hotels **spent 18% less than the Italian average**. The savings were 24% for restaurants, 44% for the food industry and 20% for supermarkets. For the non-household user types corresponding to restaurants, industrial activities and supermarkets in the areas served by Hera, they were 19%, 22% and 8% cheaper than the average for northern Italy, respectively; for hotels, the Hera figure was instead 12% higher than the average for northern Italy. The average of the four user categories considered by the research, therefore, showed that **Hera's area was more competitive**, with costs 25% below the Italian average and 13% below the average for Northern Italy.

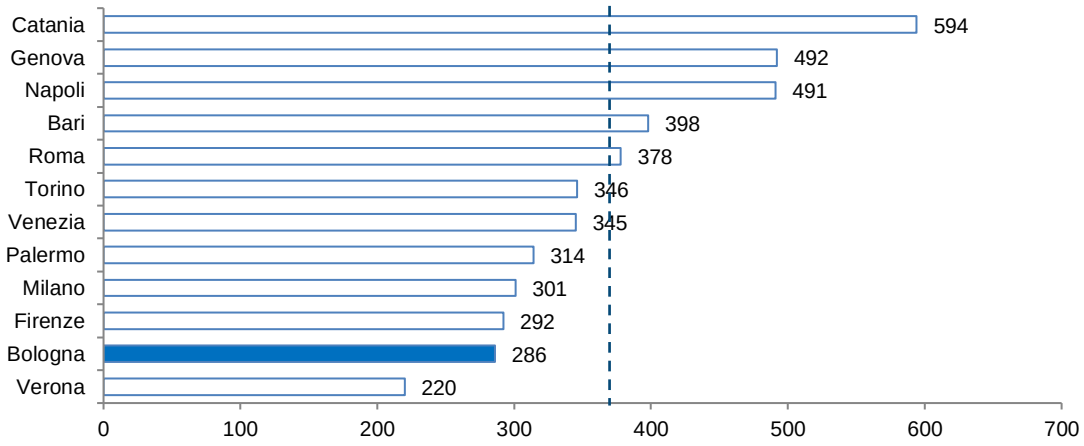
AVERAGE YEARLY EXPENSE FOR FOUR TYPES OF NON-HOUSEHOLD USERS (EURO/ M²)



2023 data processed by Hera on figures from municipality websites

Cittadinanzattiva's 2023 report also compared the cost of the municipal sanitation service in the Italian provincial capital cities. Concerning the 12 large municipalities (over 250 thousand inhabitants), Bologna, with a TARI waste tax of 286 euro ranked among the cities with the lowest cost, together with Florence and Verona, and a level 23% below the average of the 12 provincial capital cities.

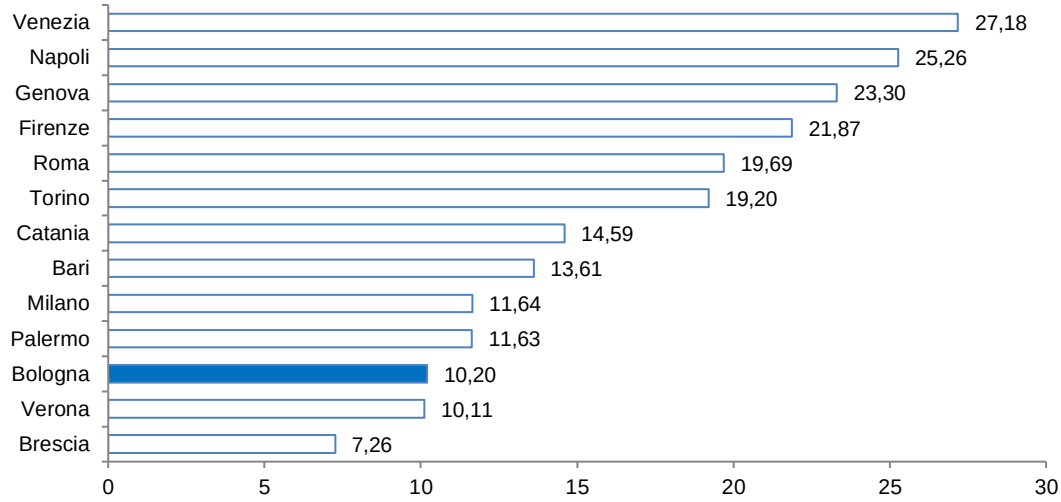
TOTAL COST PER USER IN CITIES WITH MORE THAN 250,000 INHABITANTS (3 OCCUPANTS 100 M², EURO)



2023 Data, 3 people 100 m², Source: Cittadinanzattiva

Comparing the cost of the municipal sanitation service for non-residential customers in Italian provincial capital cities with over 250 thousand inhabitants, Bologna, with 10.2 euro/m^2, ranked as one of the cities with the lowest average costs for the four types of non-residential users considered by the study (restaurants, hotels, industrial activities, and supermarkets).

COST OF WASTE MANAGEMENT FOR A NON-HOUSEHOLD USER IN CITIES WITH MORE THAN 250,000 INHABITANTS (EURO/M²)



Types of non-household users included in the study are hotels, restaurants, industrial activities and supermarkets. 2023 data. Source: Hera Group analyses

6.04 Service quality

Electricity and gas

The **electricity and gas distribution service** quality regulation divides the standards to be met into general and specific. Failure to comply with the standards for any cause attributable to the distributor leads to automatic compensation payments to the end customer (in most cases, through the sales company requesting services from the distributor on behalf of the end customer).

For **electricity**, the basic automatic compensation is variable (from 35 to 140 euro) depending on the supply voltage (low or medium) and the type of end customer (household or non-household), while for **gas**, the basic automatic compensation is variable (from 35 to 140 euro) depending on the metering group class. Basic automatic compensation may increase based on delays in the provision of service or fulfilment times.

The applicable resolutions of the Regulatory Authority in force in 2023 were resolution 569/2019/R/gas for the gas service and resolution 566/2019/R/eel for the electricity service.

District heating service

In July 2019, the ARERA commercial quality discipline came into force for the **district heating** market as well (resolution 661/2018 and resolution 526/2021). These resolutions also included the services previously monitored by Hera on a voluntary basis since 2008 and governed by the District Heating Service Quality Charter, which also required the payment of automatic compensation to customers in the event of non-compliance with the commitments concerning key services. ARERA's regulation defines the economic values of the automatic indemnities provided for the various customer categories in relation to specific quality standards such as, for example, the time taken to activate, terminate or reactivate or reactivation of the supply, or the minimum compliance levels for general standards such as the time for providing quotes or response to written requests for information.

Water services

In managing the **integrated water service**, the operator undertakes to respect the quality standards of the service set by the Service Charter, i.e., the characteristics of the main services provided by the operator and the timing within which they must be performed. This document is drawn up on the basis of a template prepared by the Regulatory Authorities and attached to the signed agreements, whose content is in line with current national regulations.

ARERA's resolution 655/2015 has governed the contractual quality of the water service since 1 July 2016, defining **minimum service levels** that operators must observe for activities related to the requests of users, including emergency services, billing, access to help desks and call centres, and complaints management. The resolution also introduced the payment of an automatic basic indemnity of 30 euro to be paid if the operator fails to comply with the specific quality standards; this amount, with the exception of certain specific services, increases in relation to the delay in performing the service, up to a maximum of 90 euro in cases in which the time is more than three times the standard.

ARERA's deliberation (attached to Resolution 664/2015) also envisaged the possibility for operators to access **local incentive mechanisms** for their commitment to pursuing quality levels that **improve on the minimum levels required** by Resolution 655/2015. Hera Spa achieved the incentive for the Bologna and Modena areas, applying the improved levels set by Atesir for 32 standards. The most significant standard parameters include the execution time for contract transfers (improved from five to three days), the time to provide quotes for works involving inspections (improved from 20 to 12 days), and the response time for meter checks (improved from ten to seven days). For the Ferrara, Ravenna, Forlì-Cesena and Rimini areas, help desks are now open to customers on Saturday mornings as an added convenience for users. The requirements of the contractual quality objectives must also be adequately monitored and reported to the Italian regulatory authority, Atersir and users by publishing them in the bills. The service charters were published with the update of resolution 655/2015.

ARERA resolution 547/2019 was issued at the end of 2019 (coming into force beginning in 2020) to partly enlarge current regulations governing the regulation of the contractual quality of the integrated water service (Resolution 655/2015) and to replace the previous incentive system defined by Resolution 664/2015, introducing a new **national incentive mechanism** consisting of incentive and penalty factors to be applied on the basis of the yearly targets achieved by individual operational entities. Due to the 2020 health emergency, the regulation granted an exemption by providing for a two-year assessment of contract quality performance for the period 2020-2021 (Resolution 235/2020) and for the two-year period 2022-2023 (Resolution 639/2021), subsequently confirmed permanently (Resolution 637/2023). The assessment was carried out considering the **objectives achieved** related to two macro-indicators (MC1 - "Beginning and end of the contractual relation", made up of 18 indicators, and MC2 - "Management of the contractual relation and service accessibility", made up of 24 indicators), weighted by the number of services delivered: in a nutshell, the calculation involves assessing the services provided in the reference period that meet the respective minimum standard specified by ARERA (compliant) with respect to the totality of the services provided (compliant and non-compliant). For 2023, the Hera Group was found to be in compliance with the objectives set by the regulation in all areas, ranking in class "A" for both macro-indicators (i.e., at least 98% for MC1 and at least 95% for MC2)

With reference to the standards actually applied, Hera continues to maintain the commitments it has undertaken with the individual local areas, formalised in the service charters, in terms of improved performance times in the Modena and Bologna areas already enjoyed by these areas since 2016. Furthermore, on 1 January 2022, following the commencement of the new water service concession in the Rimini area, 28 new, improved standards came into force for this area as well, replacing the minimum levels established by ARERA that were in place until that date.

The water service charter is also in force published and applied, with its own reference quality standards, in the Group areas served by AcegasApsAmga (in the localities assigned to Ato Bacchiglione-Padua and Ato Orientale Triestino) and by Marche Multiservizi.

Waste management services

Since 1 January 2019, the **Service Charter for the municipal and similar-to-municipal waste management service** has been applied in all municipalities where Hera Spa and AcegasApsAmga provide sanitation services. At the end of 2023, the Charter was also approved in the area served by Marche Multiservizi.

The Service Charter is a means to protect residents, as it sets the service quality standards, i.e., the characteristics of the main services provided by the operator and the timeframe within which they must be performed.

Discussions were held with Atersir throughout 2023 in order to publish the updated Quality Charters with contractual and technical quality obligations in the various local areas, as foreseen by national regulations, replacing the current Quality Charters, but they have not yet been defined. Atersir is expected to deliberate upon this in 2024.

COMPLIANCE WITH QUALITY STANDARDS

%	2022	2023	No. services provided (2023)
Gas sales	95.9%	92.8%	21,178
Gas distribution (end customers and sales companies)	99.7%	99.7%	6,598,418
Electricity sales	96.3%	93.6%	19,819

%	2022	2023	No. services provided (2023)
Electricity distribution (end customers and sales companies)	96.9%	97.0%	46,471
Integrated water service	99.3%	98.9%	186,235
District heating	96.6%	92.9%	719
Total	**99.6%**	**99.6%**	**6,872,840**

This includes the services for which customers must be automatically compensated if the company does not comply with the standard. The 2022 data also includes Hera Comm Marche, EstEnergy, Amgas Blu, Ascotrade, Ascopiave Energia, Blue Meta, and Etra Energia. The 2002 data does not include Eco Gas and Con Energia.

The overall figures are in line with previous years: **in 99.6% of cases** in 2023**, the Group provided the service requested by the customer within the timeframe set by ARERA.** Quality standards are close to full compliance for the gas distribution service of Inrete Distribuzione Energia and AcegasApsAmga (99.8% and 99.4% respectively) and in the water service of AcegasApsAmga and Marche Multiservizi (99.4% and 99.6%).

Excellent results regarding individual gas performances were confirmed. In particular, a strengthening of the high volume services was recorded: frequency of meter reading collection for billing purposes (99.7%), punctuality range for appointments (99.4%) and activation of the supply (99.8%).

For the electricity supply service, some of the most popular services (activation of electricity supply and punctuality range for appointments) remained high at 98.7%.

As regards **sales quality** standards (in gas, electricity and district heating), the decrease in this indicator was due to the energy price crisis, which, starting in the fourth quarter of 2022, generated an increase in admissions compared to the same period in previous years, a phenomenon that in the first quarter of 2023 resulted in a high volume of complaints being handled, with a consequent increase in response times, some of which were non-standard. The trend has gradually returned to normal since the end of the second quarter of 2023.

For the **water service**, the high standard was confirmed for the most commonly provided services: transferring (99.8%), compliance with the punctuality range for appointments (99.1%), deactivation of supply (99.5%) and activation of supply (96.9%).

Electronic meters

In 2023, critical challenges in the world markets caused by difficulties acquiring electronic devices continued, coupled with cost increases for transportation and raw energy materials resulting from international tensions. Although electronic meters consist of a significant portion of foreign-produced components, careful activity planning allowed us to manage this situation and **exceed the targets set** for 2023.

In the area of **gas**, the massive replacement of meters is almost complete. By 2023, **88.4% of the gas meter stock** featured gas meters equipped with **remote reading** (the figure was 76.8% in 2022). The goal for 2027 is to reach 95% of electronic gas meters remotely read.

The **NexMeter** project is progressing as planed (250 thousand of these meters have been installed, 14.9% of the total).

NexMeter is the **gas meter 4.0** designed by the Hera Group that offers **advanced safety function**s: special monitoring and warning tools with which it is equipped (algorithms, sensors and ultrasounds) enable it to prevent accidents in many conditions, providing greater protection for buildings and residents, similar to the operation of electrical “lifesaving” devices. It can **monitor** the pressure and flow conditions of the supply system and the network **in real-time**, **immediately signalling any anomalies and irregularities** (small latent leaks, large and immediate leaks) and interrupting the supply, immediately securing the system. Once corrective action has been taken, a test can be conducted to check that the user system works properly and to promptly resume the service. Moreover, it is able to detect earthquakes in real-time and stop the gas supply, taking action to ensure greater safety. It is already set up for **biomethane** and the so-called **blended gases**, i.e., methane and hydrogen blends. Over the last few years, technical tests and analyses have been carried out to study the resistance of NexMeter gas made of recycled plastic (NexMeter green) under different environmental stresses (exposure to sun, cold, salt, etc.) analysing the compatibility of these materials with methane gas and assessing the

possibility of installing them at the utilities. The goal by 2027 is to reach 310,000 NexMeter gas installations, 18% of the total.

How does this initiative contribute to responsible digital transformation? Benefits obtained in the Corporate digital responsibility realm (see the Dedicated Paragraph Entitled "Corporate Digital Responsibility")

Social		Greater level of safety for residents in the gas system, thanks to advanced meter functions capable of detecting anomalies immediately and securing the system.
Environmental		Reduction of greenhouse gas emissions thanks to real-time monitoring technology that enables the detection of leaks and micro-leaks and rapid intervention. The use of recycled plastic in manufacturing the meter incorporates circularity into the creation of the product.
Technological		The 4.0 meter advanced technology supports the proper and enhanced safety performance of the gas service, contributing to the robustness of the Group's service area.

In the **electricity** sector, the massive replacement of new generation meters is also well underway, and 41.8% of those managed have already been replaced with the **new 2G systems,** expecting to install about 449 thousand by the end of 2027 (91%of the total). Furthermore, over 149,000 meters are made of **recycled plastic** (30.5% of the total).

Overall, by 2023, the Hera Group had over 1.5 million electronic gas meters (90.4% of the total) and over 482 thousand electronic electricity meters (97.9% of the total). Overall, **electronic meters in energy services** accounted for 92.1% of the total.

As regards the **water sector**, a project to **remotely read the meters** of the most water-demanding users was developed in 2023. A remote reading dashboard has also been developed that offers value-added services, such as near real-time data (daily or even hourly frequency) on consumption trends and receiving applicable alerts, including suspected leaks in the internal system, that make it possible to take timely action and reduce wasted volumes.

The total number of **electronic water meters** in 2023 was 6,692, representing 0.4% of the Group total (+25% over 2022). At the end of the year, remote reading volume corresponded to about 8% of the water sold. The Business Plan goals include the installation of remote reading devices on about 310 thousand Group users by 2027 (or approximately 20.5% of users and 25% of the volume of water sold), extending remote meter reading services not only to high-consumption users but also to residential customers, beginning in the Forlì, Padova, Pesaro-Urbino, Ravenna and Trieste areas.

6.05 Safety and continuity of service

Gas distribution service safety and continuity

The Hera Group manages the gas distribution service with the objective of ensuring high safety and service continuity levels.

Resolution 569/2019 defined the safety standards applicable to the current regulatory period (2020-2025), which, although more stringent than those of the previous period, have proven to be substantially **in line with the standards Hera previously adopted** and with the company's medium- and long-term objectives. The changes to the regulations did not, therefore, have any particular impact on Hera or any significant negative impact on the continuity of its objectives and activities.

In particular, the main gas distribution service safety indicators provided by ARERA are as follows:

- emergency services arrival time at the call location;
- annual percentage of the high and medium-pressure network subject to inspection;
- annual percentage of the low-pressure network subject to inspection;
- annual number of leaks located per kilometre of network inspected;
- annual number of leaks located based on reports by third parties per kilometre of network inspected;
- conventional annual number of gas odour measurements per thousand end customers.

New platforms (dashboards) were created to continuously monitor the emergency and dispersion indicators and to identify, **as early as possible**, any critical issues concerning compliance with ARERA indicators in order to promptly implement any feasible corrective actions. Further evolutions of the dashboards are being considered to implement new capabilities.

Since 2010, gas distribution companies have been required to participate in a system of safety improvement incentives for the service defined by ARERA, which assesses four aspects:

- compliance with **service obligations, absence of gas incidents** for which the operator is responsible, **no instances of non-compliance** with relevant ARERA controls or inspections;
- the number of **gas odorising level** measurements compared to the required minimum;
- the number of conventional **leaks** reported by third parties compared to the objective set by ARERA for the period;
- the number of upgraded **odorising plants** (flow-proportional, remote-controlled injection-type odorising plants).

As a result of ARERA's Resolution 40/2014/R/gas, when a request is made to activate a gas supply and, in some cases, to reactivate a gas supply, the safety of the gas system must be ascertained. The inspection's scope of application applies only to user systems involving non-technological gas use (e.g., household use, boilers for heating, etc.).

For 2023, **Inrete Distribuzione Energia** is estimated to have a positive balance of **approximately 1.5 million euro** between awards and penalties relating to the recovery of continuity in the gas distribution service for the districts it manages. The company earned awards for both the component relating to leaks reported by third parties (1,000 euro) and the component relating to gas odorisation (500 thousand euro).

For AcegasApsAmga, **awards totalling 851 thousand euro** are expected both from the leak component (639 thousand euro) and the odorisation component (212 thousand euro). The company succeeded in earning awards in almost all of the distribution plants it operates.

For **Marche Multiservizi**, ARERA did not issue any resolutions granting awards or applying penalties in 2023.

ARERA resolution 569/2019, the "Consolidated Law for the regulation of the quality and rates of gas distribution and metering services for the regulatory period 2020 - 2025," establishes that the distribution company must comply with the minimum annual percentage service requirement that for 90% of calls, the emergency services arrival time at the call location must be no more than 60 minutes.

GAS EMERGENCY SERVICE

	2021	2022	2023
Average arrival time at the call location (min)	35.7	36.2	36.7
Calls with arrival time at the call location within 60 minutes (%) (service requirement 90%)	97.8%	97.3%	96.5%

The data do not include AresGas, which distributes 3% of the total gas distributed at the Group level.

The monitoring of gas emergency response times confirms **full compliance with the regulatory requirements**, as 96.5% of all calls arrived on site within 60 minutes (compared to ARERA's service requirement of 90%). For this indicator, Inrete Distribuzione Energia reported 95.9%, AcegasApsAmga reported 99.4%, and Marche Multiservizi reported 95.6%.

INSPECTIONS AND LEAKS IN THE GAS NETWORK

	2021	2022	2023
Percentage of the total high and medium-pressure network inspected (service requirement: 100% in three years)	61.7%	63.7%	53.1%
Percentage of the total low-pressure network inspected (service requirement: 100% in four years)	78.1%	79.1%	70.5%

	2021	2022	2023
Number of leaks on distribution network located upon inspection, per 1,000 km of network	91.9	88.6	92.6
Number of leaks on distribution network located upon notification by third parties, per 1,000 km of network	36.4	32.0	30.5

The data do not include AresGas, which distributes 3.1% of the total gas distributed at the Group level.

In 2023, also, the percentage of t**he network that was inspected was significantly above the minimum** required by ARERA (100% of the high- and medium-pressure network in three years and 100% of the low-pressure network in four years). In fact, at the Group level in 2023 alone, more than 53.1% of the high- and medium-pressure network and 70.5% of the low-pressure network were inspected.

The network, classified as having a high probability of leakage, is defined as the sum of:

- the high-pressure network;
- the network made of non-compliant materials as defined by the ARERA resolution;
- the network laid in areas subject to hydro-geological instability.

For the networks made of non-compliant materials, 100% of the network must be inspected annually, as required by ARERA. Hera conducts an annual inspection of 100% of the network, including two other types of networks. **ARERA resolution 569/2019** of December 2019 requires all gas distribution service operators to replace gas network components built with **non-compliant materials** by 2025. In 2019, Inrete Distribuzione Energia managed approximately **160 km** of non-compliant networks, consisting of asbestos cement pipelines, located in the municipalities of Forlì (121 km), Ravenna (21 km), and Codigoro (18 Km). The work of dismantling these portions of the network must be completely finished **by 2025**, in accordance with the provisions of the resolution, except for the networks in the Forlì area for which a formal waiver has been requested to extend the deadline to the end of 2029, with various intermediate result targets monitored by the Authority. In particular, with Resolution 624/2022 of November 2022, **ARERA granted the request for a waiver** of the deadline for the Forlì area, aiming to reach 100% by 31 December 2029.

In order to operationally enable the implementation of the currently ongoing **multi-year work plan**, specific multi-year contracts for the "**replacement of gas networks and connections made of non-compliant material"** were signed with specialised companies. The rules underlying the work plan, with its ongoing updates concerning the likelihood of breakage calculated for each individual pipeline, as well as the numerous boundary conditions that must necessarily be taken into consideration when working in densely inhabited settings (road networks, the presence of schools, hospitals and sensitive users, areas subject to constraints, and the feasibility of construction) remain unchanged. In 2023, Inrete **dismantled a further 18 km** of pipeline made of non-compliant material, with the related connections being updated or relocated onto the newly constructed pipelines, thereby increasing the dismantled network to **more than 68 km**. To ensure the fulfilment of ARERA's service obligations, an additional 18 km of gas network made of non-compliant material is due to be dismantled in 2024. Inrete is already planning activities for next year as well to fulfil the 2025 targets.

The agreements with the technicians of the municipalities involved in streamlining the authorisation procedures, which are necessary for planning and carrying out the work required to comply with the obligations imposed by the Authority, are well consolidated, in continuous evolution, and constantly monitored.

The planning and performance of inspection campaigns for **underground and overhead connections** continued in 2023, including the planned search for gas leaks extended to above-ground components of the system. In particular:

- **systematic checks to ensure there are no leaks** on network elements (valves, vents, crossings, etc.) are carried out during scheduled periodic operating/maintenance activities;
- concurrent with routine operations on meters (e.g., activations, closures, checks on metering assemblies), **a tool-aided check is carried out on the above-ground connection** and the **meter being worked on to ensure that there are no leaks.**

In addition, Inrete Distribuzione Energia's new system for planning and managing the **scheduled search for leaks in the gas network** has been in operation since 2019. The system involves planning activities through an **artificial intelligence platform with machine-learning algorithms** aimed at optimising the effectiveness of the daily checks (maximising the number of leaks found) and minimising inspection

procedures. This aims not only to pursue industrial efficiency goals but also to ensure an ever-increasing level of safety and quality of the distribution service.

The work is carried out entirely by internal staff. At the same time, the scheduling is defined by algorithms that dispatch schedules to the teams with mapping support, such as optimised road routes to minimise mileage and inspection times and, therefore, increase effectiveness and reduce the environmental impact of the operations.

The actual figures at the start of the new scheduled gas network leakage detection system show that these data are in line with the scheduling tool's objectives. In fact, the number of leaks detected in relation to the inspected network has been **higher than in the years before the new leak detection planning system was adopted**. The increased efficacy of the new scheduled leak detection system influences the ratio of leaks reported by third parties to total leaks detected (both reported by third parties and detected as a result of inspections). The number of leaks reported by third parties in Emilia-Romagna in 2023 dropped further and amounted to 31.2% of the total number of leaks; in fact, this ratio was lower than in 2022 and 2021 (32.2% and 36.0%, respectively).

In addition to pursuing industrial efficiency objectives, this performance aims to constantly improve the company's safety standards, which are already better than the reference values stated in the sector's technical regulations.

An update of the machine learning algorithm is in progress with the aim of making progress on a new step to improve process performance.

In 2023, in the Group's entire gas distribution network, **30.5 leaks were reported by third parties** per thousand kilometres of network, compared to 32.0 in 2022. On the other hand, 92.6 leaks were identified by means of inspections on the Group's distribution network per thousand kilometres of network, compared to 88.6 in 2022.

Leaks in the gas distribution network can be estimated using a calculation method based on quantifying the gas flow rates dispersed by the leaks detected in the distribution network and estimating the period between the time of the break and the time when the break was secured. In 2023, the percentage of leaks in the gas distribution network calculated using this method was 0.035% of the total volume of gas injected into the network across the Group.

How does this initiative contribute to responsible digital transformation? Benefits obtained in the Corporate digital responsibility realm (see the Dedicated Paragraph Entitled "Corporate Digital Responsibility")

Social		The activity is aimed at pursuing increasingly advanced levels of safety and quality of service as well as increased safety for residents and workers.
Environmental		Preserving air quality thanks to more efficient leak detection and the consequential reduction in the number of trips required by operators. The decrease in fugitive methane emissions from the grid translates into a lower concentration of greenhouse gas emissions into the atmosphere.
Economic		The efficiency of leak detection operations, supported by the use of artificial intelligence algorithms, reduces operating costs and consequentially increases the effectiveness of the work done.

Electric distribution service safety and continuity

[416-1]

In 2023, the distribution networks operated by Inrete Distribuzione Energia distributed approximately 2,026 GWh of electricity to approximately 264 thousand users in 24 municipalities of the provinces of Bologna, Modena, and Ravenna in Emilia-Romagna. In addition to this, about 719 GWh of electricity was distributed to more than 164 thousand users served by AcegasApsAmga in the municipalities of Gorizia and Trieste.

The electricity grids operated by Inrete in 2023 were 10,570 kilometres long; 73.7% of them carry low voltage, 26.0% medium voltage, and the rest high voltage. Of this, 41.2% of the lines were underground. In the **Triveneto area**, instead, AcegasApsAmga operated 2,313 kilometres of network, with 70.6% of it carrying low voltage, 29.3% medium voltage, and the remaining portion high voltage. Of this, 71.1% of the lines were underground.

In total, the 13 thousand km of electricity distribution network managed by the Group distributed 2,745 GWh to 428 thousand users.

ARERA's provisions regarding the service quality of distribution, metering and electricity sales (resolution ARG/elt 566/19) govern the **continuity of the electricity distribution service** for the 2016-2023 regulatory period. The resolution also identifies the indicators to use to measure power cuts, the monitoring systems, and the reference standards.

The indicators related to power cuts originating in the medium- and low-voltage grid express:

- the total annual duration of long power cuts without advance notice for low-voltage customers;
- the total annual number of long and short power cuts without advance notice for low-voltage customers.

For the regulatory period 2016 - 2023 and for their respective areas, Inrete Distribuzione Energia and AcegasApsAmga adhered to the reduction of interruptions originating on the medium- and low-voltage network attributable to external causes; therefore, the above-mentioned indicators were also calculated considering external causes. For these indicators, ARERA set the target levels and trend levels for the districts managed.

For 2022, **Inrete Distribuzione Energia** was awarded approximately 650 thousand euro overall as incentives for electricity distribution service continuity recoveries following the investigation conducted as part of the proceedings deliberated upon by ARERA to formulate the service continuity measure. **AcegasApsAmga** also took part in the incentive/penalty system concerning continuity recoveries for the electricity distribution service, set out in resolution A566/2019: based on the quantity and duration of outages without advance notice in 2022 as a benchmark, it was entitled to two incentives for the two areas totalling approximately 265 thousand euro.

CONTINUITY OF THE ELECTRICITY SERVICE

	2022	2023	Average 2022-2023	2023 trend
Average number of power cuts per customer in high-concentration areas	0.84	0.97	0.91	1.20
Power cut minutes per customer in high-concentration areas	12.51	10.78	11.65	10.78
Average number of power cuts per customer in medium-concentration areas	2.19	1.92	3.92	2.26
Power cut minutes per customer in medium-concentration areas	24.87	30.84	27.86	30.84
Average number of power cuts per customer in low-concentration areas	3.71	3.70	3.71	4.30
Power cut minutes per customer in low-concentration areas	37.67	43.06	40.37	43.06

The average figure applies to power cuts of the low voltage service without advance notice and due to causes for which the operator is responsible. The power-cut duration minutes apply to power cuts that last more than three minutes.

The 2023 figure confirmed the high level of continuity of the electricity distribution service, which, for all the reference indicators, was below the trend and/or target levels set by ARERA. Note that there were some service disruptions as a result of the May 2023 flood in Emilia-Romagna, which impacted certain areas where Inrete Distribuzione manages service. In addition, in Gorizia, several failures of the sole primary substation disconnected all users in the city, albeit for a short time.

The **System average interruption duration index** (SAIDI), calculated as the sum of all customer interruption durations divided by the total number of customers served, was 0.32 hours in 2023 (vs 0.31 in 2022 and 0.35 in 2021).

The technical call centre

Receiving and diagnosing the telephone calls made to the toll-free emergency services operated by the technical call centre service is of key importance since the calls can be used as actual findings of disruptions to the service provided.

The Hera Group's **technical call centre service**, which is always active 24/7, has 15 toll-free numbers broken down by service (gas, integrated water service, district heating, waste services, public lighting and traffic lights, electric mobility) and by geographical area (Emilia-Romagna, Triveneto and Marche), including two toll-free numbers for the entire Group dedicated to public bodies (fire departments,

municipalities, provinces, prefectures, police headquarters, Hospitals, ARPAE [the Regional Agency for Prevention, Environment, and Energy of Emilia-Romagna], police forces, port authorities, etc.).

A total of 504,950 calls were received in 2023 (3% less than in 2022).

Beginning in 2020, the technical call centre was **completely reorganised** with various measures (logistical decentralisation, new customer relationship management infrastructure, etc.) characterised by the priority aim of ensuring service continuity while guaranteeing the safety of operators and complying with regulatory provisions. A fundamental element for safe organization was the upgrading of the system to create a more open and flexible architecture, allowing for remote working by adapting the technical call centre operations to remote locations (mobile or fixed). All processes are managed with the aid of IT support so that, in “on demand” mode and in real-time, they allow continuous support to the operators within the complex and extensive perimeter managed.

TECHNICAL CALL CENTRE: PERCENTAGE OF CALLS ANSWERED WITHIN 120 SECONDS

%	2021	2022	2023
Emergency gas services (minimum percentage required by ARERA: 90%)	96.4%	96.2%	96.7%
Emergency water services (general level: 90%)	92.8%	93.8%	95.2%

The percentage of calls for emergency services for gas and water was calculated according to criteria defined by ARERA, considering the calls answered and the calls abandoned within 120 seconds, and with all calls received as the denominator.

AVERAGE TECHNICAL CALL CENTRE WAIT TIME

Seconds	2021	2022	2023
Average waiting time for emergency gas service	51.8	50.0	51.0
Average waiting time for emergency water service	63.6	54.9	56.0
Number of calls for the emergency gas service	97,508	101,506	95,898
Number of calls for the integrated emergency water services	285,828	293,088	268,935

In 2023, the technical call centre in Forlì received more than 364 thousand calls for water and gas services. The percentage of calls answered by the technical call centre within 120 seconds improved both for the water service (from 93.8% to 95.2%) and to a lesser extent for the gas service (from 96.2% to 96.7%). Average wait times remained substantially stable for both services.

In 2023, the customer satisfaction survey, carried out at the end of the conversations with operators by means of an automatic post-call system, showed 5.4% participation and an overall satisfaction level at least equal to **“very satisfied” for 84% of those responding to the survey**.

The **development of the technical call centre** continued in 2023, aimed at improving the performance and quality of the services it provides. The “Technical wiki system for management/sharing knowledge” tool was further developed as the main tool to monitor the quality level. It contains all the information necessary to properly manage the services and ensures a continuous learning and knowledge sedimentation process. This tool allows for comprehensive, effective and dynamic training. It is always up-to-date, thanks to the implementation of the community model, which permits the continuous exchange of knowledge.

Other projects developed in 2023 include:

- integrating the Hera Luce emergency response service via the implementation of a service offering residents the option to use an additional channel to report service disruptions;
- activating the telephone answering service for deaf people using the Tellis platform with the recording of the report on the Integrated Water Service toll-free number for Hera Spa;
- deploying the Speech API and Text mining speech analysis tools for the purpose of monitoring operator behaviour, call quality and analysing answered calls without interaction or disturbed calls;
- developing the dynamic workflow tool to list the safety requirements binding on gas service customers;

- creating the online digital support "CCT_News" for the detailed *proceduralisation* of calls and the implementation of a specific document section with the training material covered by the internal growth courses;
- the "Uomo a terra" [Man Down] and "Black Box Mezzi" [Vehicle Black Box] apps: the **Uomo a terra** [Man Down] app automatically alerts the Forlì remote control centre in the event of a worker being in emergency conditions or falling ill: by monitoring the mobile phone's sensors (accelerometer, GPS and gyroscope), an automatic alarm is sent to the remote control centre in the event of a fall, excessive inclination and a lack of movement for a given time. **Vehicle Black Boxes**, on the other hand, are electronic devices placed within the passenger compartments of cars to monitor them remotely and automatically transmit an alarm to the remote control room operator when an accident occurs or when the driver activates an SOS button located on the windscreen.

Forlì remote control technology hub

The **Forlì remote control centre** is multi-specialised, one of its kind in Italy and at the forefront in Europe: a **remote control, remote management and 24/7 technical emergency call centre room** of almost 400 m², with a giant 60 m² screen, a 3D system to represent the main systems, 160 monitors, 60 stations, a team of 80 operators, double fibre-optic communication lines, an independent fire-protection system, and a set of controls that make the whole context extremely resilient and reliable, guaranteeing the management thereof with business continuity under any conditions.

The Centre is divided into two functional areas that cooperate synergistically:

- Telecontrol: real-time remote controls, monitoring, automation and continuous control of the Hera Group's **aqueduct, sewerage, gas distribution** and **district heating** networks, which extend across **all the managed areas** of Emilia-Romagna, three Tuscan municipalities, Marche, and Triveneto.
- Technical call centre: handling all emergency calls across the local area. In addition to services in the water, gas, and district heating sectors, the centre handles calls for public lighting and traffic light service, environmental services, and electric mobility service.

FACILITIES CONNECTED TO THE FORLI REMOTE CONTROL HUB

Number	2021	2022	2023
Total connected facilities	7,932	8,949	9,707

The hub is constantly growing both in terms of quality and size. By 2023, a total of **9,707 connected plants** had been reached (+758 compared to 2022), with **28 million pieces of information acquired per day** so as to feed a set of decision-support tools for the operating structures' activities. The goal for 2027 is to reach 12.3 thousand plants connected to remote control, or approximately 96% of the Group's plants (previous and new). The Centre assists the various Group structures with this continuous growth by providing them with tools to help them make decisions. For example, for Hera Trading, the hub carries out the energy balancing management service, integrated with the Terna site for the energy dispatching service market; for Hera Comm, it manages the electric mobility service for customer charging; for Uniflotte, it manages the development of the remote control of waste collection containers.

The following activities stand out among the main innovative development and evolution projects implemented in 2023 in the area of remote control:

- **Integrating Marche Multiservizi's remote control:** after the infrastructure work conducted in 2022, all the gas service plants and all the major integrated water service plants were integrated into the Group's SCADA system; the entire plant has been taken under management so the Forli Control Room could implement remote control and monitoring with shared procedures and rules of engagement.
- **Cybersecurity Operation Technology**: the platform to be used to remotely program field devices and secure computer access in the Operation Technology area was completed in 2023. This new tool effectively creates a protected area in the Remote Control domain under intrinsically safe conditions.
- **Smart control room containers:** the Uniflotte project continued in 2023 with further developments and software refinements to improve control room functions and also support the development of new electronics. The functions and innovations were also extended to the "casette intelligenti" [smart bins] project installed in the Ravenna area.
- **Sensor monitoring tool:** a tool that defines the priorities for sensor maintenance and identifies the sensors potentially impacted by malfunctioning. Using specific platforms (dashboards), it

will be possible to identify all sensors that transmit potentially incorrect information, displaying a fault status or erroneous alarm configurations. In this way, the operational Businesses can precisely their maintenance work on the field equipment. This tool is fundamental for both monitoring the quality of the data and reducing the number of alarms and false positives.

- **SCADA and Middleware Revamping:** this allows new features to be offered, a new, more intuitive and agile graphical interface, new tools to enhance the SCADA system's productivity, as well as a significant increase in functionality and performance and greater system reliability, thus better overall resilience.
- **Resilient dashboard:** This tool, integrated into the SCADA, conveys data from multiple water sources and special algorithms and allows strategic drought management by monitoring aquifer trends and medium to long-term forecasts. See the section "Resilient management of aqueduct and water sources" for more information on this project.
- **Implementation of the AWS data exchange platform**: this is part of the Operation technology framework's data management activity to optimise the use of data. The data itself is integrated by various technologies and platforms to make it available for the purposes of distributed monitoring and control applications, as well as the more general context of data utilisation within the Group's data strategy.
- **Monitoring regulatory compliance for cathodic protection**: developing protocols and equipment to technically manage the data flows required for the new UNI CIG-specific regulatory rules.
- **Introducing QR codes on plant equipment:** a feature was introduced via Cloud TLCF to connect to the portal directly in real-time so that information regarding the operation of the various devices at the plants (including documents, manuals, plant and authorisation sheets, etc.) can be accessed.

How does this initiative contribute to responsible digital transformation? Benefits obtained in the Corporate digital responsibility realm (see the Dedicated Paragraph Entitled "Corporate Digital Responsibility")

Social	Increasing the level of safety for customers and workers thanks to the constant monitoring of the Group's network systems, achieved through the integrated remote-control structure and emergency response support. The further development of the "smart control room containers" tool allows the waste collection service offered to residents to be improved by preventing disservice (full bins) and also optimising management.
Environmental	The "Resilient dashboard" tool allows the consequences of external phenomena, especially of meteorological-climatic origin, to be prevented by directing managerial and strategic choices. The "Sensor Monitoring Tool" allows the time taken to detect system faults that may have repercussions on the environment, both in the aqueduct network and plants and in the sewerage and purification system, to be minimised. The push towards the complete automation of processes (particularly in the integrated water service) leads to an ever-greater emphasis on the efficiency of the processes themselves. The further evolution of automation with AI algorithms entails further benefits in terms of energy efficiency but also of asset working life. The implementation of tools such as the "AWS data exchange platform" represents data-driven opportunities to identify a broader framework of perspectives of the managed environment, including those in the direction of environmental sustainability.
Technological	Developing cybersecurity systems with the introduction of dedicated figures and specific systems for monitoring the matter and coordinating with the corporate structures involved. The technological remote-control solutions are used responsibly to ensure the safety of the area in which the Group operates. The extraordinary "SCADA and Middleware Revamping" operation offers greater security with regard to business continuity and resilience of the managed system, as well as making the technological environment more suitable for new challenges. The continuous increase in remote-controlled systems makes it possible to exploit all the enabling conditions of technology: use of data, development of new forms of man-machine interaction, availability of analytics and business intelligence solutions, and solutions capable of reducing the distance between the physical and digital worlds at the production process level. A *de facto* innovation ecosystem that fosters the digital transition and technological innovation of Operations.

The Continuity of the Water Service

The **water network control activity index** is expressed as a percentage of the network inspected for leaks.

In **Emilia-Romagna**, leak research in 2023 involved a large portion, about 35%, of the network, where the effectiveness of traditional technologies was enhanced by applying **new experimental technologies**. The path to containing leakage volumes will be consolidated with this strategic vision, identifying the most effective technologies and making room for new innovative applications that prove to be worth using.

In the **Padua and Trieste areas**, 100% of the water network was inspected in 2023. The inspections were carried out with both systematic searches (via the use of geophones) and cutting-edge instrumentation such as transit time flow and pressure meters in the districts and remote monitoring; in particular, a technology involving the detection of leaks **with cosmic rays** was tested for part of the Padua area.

In Marche, leaks were localised with various instruments. Dedicated in-house personnel were employed to analyse the network from identified points, e.g., by means of geophones, or “noise loggers”, which are special devices for assessing the water network under pressure.

THE CONTINUITY OF THE WATER SERVICE

%	2021	2022	2023
Network subject to active leak detection	42.1%	39.7%	38.5%

In 2023, the Group inspected a total of 13,558 kilometres of network, corresponding to **38.5% of the total** (35.6% in Emilia-Romagna, 100% in Triveneto, and 17.7% in Marche).

6.06 Customer relations

Call centres

2023 saw an additional increase in contacts with the Hera Group’s call centres, as in 2022 mainly due to the **turbulence in the energy markets** and its repercussions on bills in the first part of the year. This prompted many customers to ask for explanations and explore alternative offers to reduce their household expenses. Furthermore, in the latter part of the year, the **end of the protected gas tariff** regime led many residents to seek clarifications on the effects of the new regulations and assistance in choosing the most convenient offer. The **flooding in Emilia-Romagna** also affected call centres, due to the requests related to payment suspensions and instalments.

Also note that the expansion of **Estenergy**’s customer perimeter was consolidated in 2023, with all the North-Eastern customers recently acquired, which also increased the number of contacts compared to the previous year.

QUALITY OF THE CALL CENTRE FOR RESIDENTIAL CUSTOMERS

	2021	2022	2023
Average waiting time at the call centre for residential customers (s)	32	93	59
Calls with satisfactory outcomes for residential customers (%)	95.1%	91.1%	94.0%
Number of residential customer contacts at the call centre (thousands)	7,013	8,741	10,007

The average waiting time, based on a telephone call by a customer wishing to speak to an operator, is the time between the moment a request is made to talk with an operator and the beginning of the conversation. It does not take into account the initial information provided by the automatic answering system. The data includes the company AresGas.

Although 2023 witnessed an **increase in the number of contacts** with the Group companies’ call centre (+15%, approximately 1.3 million more calls), the **service quality was not impacted**. On the contrary, waiting times and the percentage of successful calls (i.e., calls answered by the operator within 120 seconds) improved. This was also due to the fact that the previous year’s performance levels were negatively affected by other factors, such as the entry of new service providers on all lots, with a now

stabilised initial run-in period. The goal for 2024 is no more than 80 seconds of average waiting time at the call centre.

In **AcegasApsAmga**, a new knowledge tool was introduced in 2023, i.e. a chat room that, thanks to artificial intelligence, enabled operators to handle contact requests more easily, quickly and interactively with a view to improving customer experience.

Nevertheless, the substantial growth in contacts and the critical nature of the topics addressed allowed **satisfaction** to increase, reaching **78/100**. This is due to the constant training of operators and the continuous monitoring of the suppliers' service quality.

QUALITY OF THE BUSINESS CALL CENTRE

	2021	2022	2023
Average waiting time at the call centre for business customers (seconds)	34	112	72
Calls with satisfactory outcomes for business customers (%)	95.6%	91.4%	94.3%
Number of business-customer contacts at the call centre (thousands)	432	579	639

The average waiting time, based on a telephone call by a customer wishing to speak to an operator, is the time between the moment a request is made to talk with an operator and the beginning of the conversation. It does not take into account the initial information provided by the automatic answering system. The data refers to the Hera Comm call centre.

For the **corporate segment**, the number of calls also increased in 2023 (+10%). The service level (94.3%) and the average waiting time (72 seconds) also **improved** in this case.

Despite heavy pressure on the channel, **customer satisfaction** in the business market remained high, increasing by two points.

As regards Hera Group's call centres, calls are handled by both Hera Group employees and the staff of specialised companies that are both **registered and operating in Italy.** Our sales promotion activities are carried out by outsourced companies: these are Italian-based and Italian-owned sales agencies that make use of operating units located in Italy. Their staff is employed directly by these sales organisations, who have signed a standard agency mandate with Hera Comm.

The help desks

2023 witnessed a massive return of customers and residents to the Hera Group's help desk, reaching and at times exceeding the influx levels prior to the health emergency in 2020-2021.

Contacts with customers during 2023 focused on the consequences of the **energy scenario**, still very critical and accompanied by high and volatile prices in the first months of the year, as well as the **flooding in Emilia-Romagna**, with the management of payment suspensions and instalment plans. These events naturally generated contacts and requests from customers. **Waste services** were also a focus of the help desks' work, with the gradual expansion of the equipment distribution service in the Bologna and Modena areas, as well as the launch of the Spot Fee Tariff in Cesena and other municipalities in the area. Finally, with the announcements concerning the end of the **protected gas tariff regime** in the last months of the year, many customers turned to the help desks for guidance on choosing offers and seeking clarifications on the transition process for the changes triggered by the relevant national legislation.

It should be noted that residents approached the help desk operators not only to discuss contracts and tariffs or to process paperwork but also for advice on good practices for the **more conscious use of energy**.

In 2023, a great deal was also invested in **training** front office **operators**, e.g., with targeted sessions focusing on energy efficiency: the course, called "Sales evolution", involved more than 100 people, ten lecturers and experts from within the Group.

Work also continued on the **integration of new entities in the local areas** (e.g., the integration of the company Con Energia) and the investment strategy concerning a **new, more functional and**

welcoming layout for help desks to ensure an increasing visibility and widespread presence in the local area.

Consistent with the Group's sustainability strategies to reduce environmental impacts, **innovative services aimed at reducing consumption and material use** were also offered through the help desks. Paper-saving technologies for contracting and payments were used, and efficient behaviour was promoted, with particular reference to electronic billing; this was also for the purpose of ensuring a more effective bill-delivery system.

AVERAGE WAITING TIMES AT HELP DESKS

Min	2021	2022	2023
Hera	5.6	8.9	12.5
AcegasApsAmga	2.3	6.5	10.6
Marche Multiservizi	11.0	13.0	11.1
Weighted average on contacts	**5.7**	**8.9**	**12.3**
Number of contacts (thousands)	773	903	1,114

The data applies to help desks equipped with a queue detection system. The data do not include the companies Etra Energia (for which approximately 4.6 thousand contacts were recorded, 0. 4% of the total) and AresGas.

In 2023, Hera Group help desks handled influxes that increased by 23% for the reasons described above. As a result, average waiting times increased (from 9 minutes to approximately 12 minutes). However, **satisfaction surveys** showed that customers recognised the quality of the service (**80/100**). The goal for 2024 is no more than 10 minutes of average waiting time at the help desk.

Overall, there are **192 help desks throughout Italy**, 68 of which are equipped with a queue detection system.

Complaints management

In 2023, the Hera Group handled 59,386 files, 11% more than in 2022. Complaints relating to energy services increased by 17% (+5% for gas, +33% for electricity and -34% for district heating), understandably linked to the turbulence in the energy markets, which also affected the first part of 2023. Complaints also increased in the waste management service (+32%) but decreased in the water service (-14%).

Handling a higher volume of complaints had repercussions on response times (18.4 days in 2023 compared to 13.2 in 2022) and compliance with quality standards relating to response times (92.2% in 2023, -1.5 percentage points compared to 93.7% in 2022).

COMPLAINTS ANSWERED

	2021	2022	2023
Average complaint response time (days)	9.8	14.6	20.8
Complaints that were dealt with within the standard timeframe (%)	99.7%	96.6%	90.5%
of which complaints relating to sales of electricity and gas	*99.5%*	*95.9%*	*89.5%*
Complaints answered (number)	**31,368**	**41,541**	**43,950**

The complaint response time is specified in calendar days, with a reference standard of 40 days. The 2022 data were aligned by excluding the services of last resort, for which there were no obligations to monitor commercial quality. The data refer to Hera Comm and as of 2022 to Estenergy as well.

As a result of the factors described above, and the effects of the merger of some commercial companies into the scope of operations at the end of 2022, the average response time increased to 20.8 days, compared to 14.6 days in 2022. Despite the changes in the general environment, the ratio of complaints to managed contracts remained constant at 1.2%.

AcegasApsAmga guaranteed an average complaint response time of 10.5 calendar days, up slightly from 12.5 days last year; the percentage of complaints responded to within the standard timeframe was 100%, the same as in 2022 and 2021.

Finally, for **Marche Multiservizi**, the complaint response time was 1.8 calendar days (2.5 in 2022) and 100% of complaints were answered within the standard time.

Arbitration

A**lternative dispute resolution (ADR) arbitration** is increasingly used to solve problems without resorting to ordinary courts. This method is not costly for customers, who can participate in the resolution of disputes either in person or by delegating a representative. Most of the meetings take place by computer on IT platforms, thus avoiding the need to travel. The high percentage of positive solutions demonstrates the success of this procedure, which is developing year by year and has proven to be a tool that satisfies the vast majority of those who have tried it.

Since January 2017, sector regulations have made it compulsory for the gas and electricity sectors to turn to arbitration in an attempt to resolve disputes. The attempt at arbitration is a prerequisite for any subsequent court action. The arbitration bodies must meet the requisites set out in the Code of Commerce and be registered in the Register kept by ARERA. Since July 2018, arbitration was extended to the integrated water service, and the operator's participation became mandatory on 1 July 2019; on 1 July 2023, it also became a prerequisite for subsequent court action on a par with gas and electricity.

Also, in 2023, **ADR arbitration was further consolidated** as a tool for out-of-court dispute settlement, which more and more customers turned to with confidence to settle unresolved problems at the complaint stage. In fact, this past year also witnessed a marked increase in requests for **ADR arbitration.** From 709 requests in 2021, the figure rose to 1,028 in 2022 (+45%) and 1,480 in 2023 (+44%). The increase was practically entirely confined to the **energy sector** (94.1% of requests). At the same time, the water service was essentially stable (+13 requests for arbitration). This can be attributed to this dispute method's increasing popularity (which, moreover, indicates a maturing and growing awareness on the part of Italian consumers) but also to the effects of the surge in energy prices that began at the end of 2021.

Of the 1,294 arbitration requests closed during the year, 929 concluded with a settlement, 341 without a settlement, 13 were terminated due to withdrawal of the request and 11 due to inadmissibility.

The **success rate in the energy free market** (i.e. cases concluded with a record of the agreement for gas and electricity) was around 74.8%, lower than in 2022 (76.3%) yet **higher than the national Italian average** published by ARERA (68.7%). Completion times tended to be stable, down from 65 days in 2022 to 64 in 2023.

ADR arbitration is complemented by **joint arbitration**, an instrument based on an agreement signed with the main consumer associations, which also aims to resolve disputes out of court. The number of requests for joint arbitration by consumer associations has **decreased year after year**, largely due to the more extensive use of ADR dispute resolution, which is now proven to be the tool of preference for resolving disputes over gas, electricity, district heating and water services. The need for face-to-face meetings and the required assistance of a Consumers' Association discouraged recourse to this method; the small number of requests, which in 2023 turned out to be of little significance, bore witness to this fact.

Litigation with customers

[2-27]

At the close of 2023, 730 disputes were pending with customers (311 of which were initiated during the year), mainly regarding the application of the Tariffs on services we provided and payment collection. 646 disputes concerned the gas, electricity, and district heating service, 40 the water service, and 34 the waste management service.

Litigation with customers concerned the energy sector, and in particular objections to the protective system to which customers are assigned by the competent distributor, cases arising from the opposition to injunctions served as part of the compulsory collection of receivables, further disputes concerning billing, and complaints requesting the reactivation of electricity or gas supplies that had been suspended due to overdue customer paying. Moreover, following the case law of the Court of Cassation, electricity utility customers initiated litigation for the restitution of provincial surcharges on excise taxes paid in 2010 and 2011.

In the water sector, instead, disputes mainly concern customers objecting to injunctions.

Information security and personal data privacy

Information security management is a well-established asset within the Hera Group, starting from the design stages, with a view to security by design, enabling increasingly effective protection of all business-relevant data and, in particular, the personal data of data subjects while synergistically pursuing privacy by design.

The governance of this topic has been consolidated by means of a complex, **constantly updated document management system** consisting of the "Information Security Policy Guideline", a "Policy for the protection of personal data", and a set of information security policies that establish the guiding principles for all information security activities, including the attribution of responsibilities, both general and specific, to clearly defined organisational roles. The standardisation of privacy strategies is also pursued through a **single data protection officer for the Group** and the publication on the website on the Company's overall commitment to data protection and the most relevant disclosures for customers and other stakeholders.

Top Management is involved in defining an acceptable level of risk through meetings of the Risk Committee focused on the results of annual information security risk assessment processes, which identify the most effective mitigation and security improvement initiatives in the face of an increasing level of external threats, the implementation of which is **constantly monitored**. Compliance with policies and the level of maturity of countermeasures is ensured by annual technology assessment programmes and periodic audits of the security vulnerabilities of systems and networks.

Group companies carry out p**eriodic audits** (including on **external parties** handling personal data on its behalf) to check that their operations comply with the organisational, technical and security measures concerning personal data processing provided for by the provisions in force. The outcomes of periodic review activities are formally documented.

For purposes of greater accountability within the Group, **monthly information bulletins** provide in-depth information on new national and European regulations and the analysis of the Data Protection Authority's sanctioning measures; in particular, with respect to the Data Protection Authority's main sanctioning measures, a privacy-side **compliance assessment** of business processes is carried out through dedicated working groups.

Hera implemented a number of measures to **strengthen the Group's cyber security**, including extending security monitoring probes to all potentially vulnerable systems, especially in managerial and industrial areas. Furthermore, the cyber security and privacy culture was also enhanced via targeted training courses and periodic ethical phishing exercises. See the "cyber security" section for more information on this topic.

The Group Data Protection Officer conducts **spot check**s on processes by means of annual audits, also with regard to the exercising of rights on the part of data subjects and average response times.

The Cyber security posture, an expression of the **Group's cyber security health status**, is periodically monitored by tracking monitoring indicators and participating in benchmarking activities through industry associations.

Finally, being aware that the current landscape is characterised by increasingly frequent cyber attacks, including at the supply chain level, the guarantee of personal data protection is also pursued through better supervision of the Group's **IT service providers** in the selection, contractualisation and control stages.

PROCEEDINGS INITIATED BY THE DATA PROTECTION AUTHORITY

Number	2021	2022	2023
Proceedings initiated by the Data Protection Authority	5	2	1

With regard to the Group companies that are obliged to appoint a Data Protection Officer, one of the two proceedings opened in 2022 was closed without the imposition of sanctions; a fine of 10,000 euro (later reduced to 5,000) was imposed for the second. In 2023, a proceeding that had not yet been finalised was brought against Hera Comm. Hera Spa received a request for information regarding the data processing involved in managing municipal waste, which was replied to in due time. Currently, the proceeding is still being assessed by the Data Protection Authority.

VIOLATION OF CUSTOMERS' PRIVACY: COMPLAINTS

Number	2021	2022	2023
Grounded complaints received from outside	44	12	107

The data do not include the AresGas company.

The increase in the number of complaints relating to breaches of customer privacy received in 2023 mainly regards the handling of customer records from markets of last resort, which involved about 80 cases. Apart from this, the figure is in line with that of previous years.

The **secondary use** of customers' personal information is **also** monitored within the Group companies. By 2023, the percentage of customers who granted **privacy consent for marketing and commercial purposes** was 51%. Data refer only to households with at least one active contract on the free-market energy services of Hera Comm, Hera Comm Marche and EstEnergy (customers on the protected and last resort markets are excluded).

Customers

Green community rewards sustainable solutions

#genHERAZIONI is the loyalty programme, which is free and open to all customers and residents, which rewards the sustainable actions of everyone who shares the goal of reducing their impact on the environment. It was launched in the summer of 2023 and had around 45 thousand members at the end of the year.

By becoming part of the community, users have the opportunity to play, participate in challenges and learn how to reduce their impact through small daily actions and more conscious behaviours.

By taking sustainable actions and by taking part in initiatives, users can earn coins (ECOcoin), points (PuntiAZIONE) and medals (ECObadge): for example, "**Play and learn**" gets users involved with weekly winnings, quizzes and challenges to test themselves on issues related to sustainability and efficient behaviours; the "**Storie di sostenibilità**" (sustainability stories) offer articles, videos and podcasts with interesting information, insights and food for thought; "**Mondo Hera**" (Hera world) discusses rewarding actions customers can take. Lastly, there are also specific competitions dedicated to special initiatives such as, for example, some which encourage people to pay attention to their own energy consumption using the Consumption Diary.

ECOcoins can be converted into rewards, while puntiAZIONE points measure the degree of user involvement in the community and allow them to level up. By learning to live in an increasingly green way, users can become sustainability "gurus". Competitions are also held on the platform with the chance to win more prizes.

In addition, as an extension of the experimental initiatives developed previously to promote and incentivise sustainable behaviour, in 2023 research into implementing a Green community that gives residents the opportunity to purchase renewable energy or shares of photovoltaic panels from Energy parks in the process of being developed. This means residents can take advantage of the advantages of photovoltaics systems even if they are unable to install them on their own roof, while still seeing an economic benefit on their bills with a simple and transparent solution.

During 2024, together with the authorisation phases for the agrivoltaic plants at the Energy parks, this initiative will continue to be developed.

How does this initiative contribute to responsible digital transformation? Benefits obtained in the Corporate digital responsibility realm (see the dedicated paragraph entitled "Corporate Digital Responsibility")

Social		Guarantee of privacy requirements, digital inclusion and transparency of processes towards customers.
Environmental		Creation of a community to reduce the environmental footprint of residents and the area.
Economic		Savings for customers who use renewable energy supply.

The green community contributes to the achievement of targets 12.8 and 17.17 of the UN 2030 Agenda.