

5. GOVERNANCE AND CREATING VALUE

5.01 Objectives, performance and targets

We said what we would do	What we did	SDGs	Progress*
Sustainability and risk management			
Organise initiatives to distribute the new purpose-driven Code of Ethics, update and continue training on the Code of Ethics for new recruits.	Once the informative document for the new purpose-driven Code of Ethics was drawn up and distributed, training for new recruits and new employees who entered the Group after corporate acquisitions was updated and continued, with the participation of 590 workers. (see p. 193)	-	
Economic value to stakeholders			
2.1 billion euro. Added value for stakeholders by 2026 (+25% compared to 2022).	2,037 million euro: added value for stakeholders by 2023 (+22% compared to 2022). (see p. 218)	8	
4 billion euro. Investments made between 2022 and 2026.	815 million euro, gross operating investments made in 2023 (+15% compared to 2023). (see p.223)	8	
Shareholders and financial institutions			
60% of 2022-2026 investments in activities aligned with the EU Taxonomy (54% in 2022).	56% of 2023 investments in activities aligned with the EU Taxonomy (vs. 54% in 2022).(see p.338)	8	
Communications with our stakeholders			
Complete the 4 local HeraLAB initiatives: 2 in the Modena area and 2 in the Forli-Cesena area.	Completed one initiative of the last edition of the Modena LAB. Four additional initiatives underway in Modena and Forli-Cesena.	11.17	
Launch the third edition of HeraLAB in the Imola and Modena areas (6 meetings planned for 2023). Define the local areas and the topic on which to focus the 2024 HeraLABs.	The third edition of HeraLAB started in 2023 in Imola and Modena (six meetings in total).(see p.239)		

* Result achieved or in line with planning; Result with slight variance compared to planning; Result with significant variance compared to planning.

What we will do	SDGs
Sustainability and risk management	
Continuity in training new employees with AlfabEtico, including by involving workers as trainers.	
Economic value for stakeholders	
2.4 billion euro. Added value for stakeholders by 2027.	8
4.4 billion euro. Investments made in the period 2023-2027.	8
Shareholders and financial institutions	
59% of 2023-2027 investments in activities aligned with the EU Taxonomy.	-
Further increase the share of debt financed with ESG instruments.	All**
Communications with our stakeholders	
Continue listening to and involving stakeholders on the topic of carbon neutrality. Launch HeraLABs in two additional areas in 2024.	11.17

**This target cuts across all SDGs to which Hera contributes (4,5,6,7,8,9,11,12,13,14,17)

5.02 Sustainability and risk management

Corporate governance

Hera is a multi-utility company with a majority public sector shareholding and a markedly diversified shareholder base. In terms of corporate governance, the Group has adopted statutory procedures, paying specific attention to the implementation of the principles contained in the **code of corporate governance** drafted by the Corporate Governance Committee of listed companies.

[2-9]
[2-12]
[2-13]
[405-1]

The main **governance bodies** of Hera are the Board of Directors, the Executive Committee, the Board of Statutory Auditors, the internal committees and the Shareholders' Meeting. The Board of Directors is supported in its duties by two committees: the Remuneration Committee and the Control and Risks Committee. The Board of Directors has also established a Supervisory Board pursuant to Legislative Decree no. 231/2001, as well as an Ethics and Sustainability Committee to monitor, disseminate and implement the principles in Hera Group's Code of Ethics and to supervise sustainability issues linked to business activities.

All detailed information concerning the Group's corporate governance and the functioning of its main bodies is dealt with in the **Corporate Governance Report** in the Group's consolidated and separate financial statements approved by the Board of Directors on 26 March 2024.

The Ethics and Sustainability Committee

[2-12]
[2-13]
[2-16]
[2-25]

The Ethics and Sustainability Committee is **tasked** with monitoring the dissemination and implementation of the Code of Ethics and exercising the functions for the supervision of sustainability issues linked with business activities. In particular:

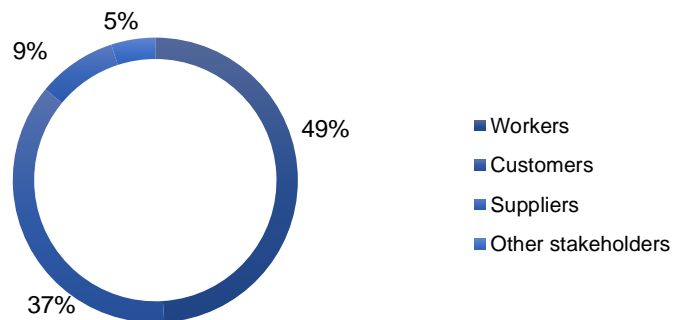
- receives reports of violations of the Code and evaluates whether or not proceedings should be initiated,
- monitors the implementation of sustainability policies,
- draws up, at the request of the Board of Directors, an opinion on specific sustainability issues,
- examines company procedures on social and environmental issues,
- previously assesses the sustainability report to be submitted to the Board of Directors.

Hera's Ethics and Sustainability Committee is made up of at least one independent director of Hera S.p.A., the Director of Shared Value and Sustainability and at least one external member who is an expert in social responsibility and sustainability.

The members of the Committee currently in office were appointed by the Board of Directors of Hera Spa on 10 May 2023. The **Committee met eight times in 2023**. On 21 February 2024, the Ethics and Sustainability Committee submitted the annual report on the activities carried out and on reports received in 2023 to the Board of Directors of Hera Spa.

In 2023 the Ethics and Sustainability Committee received **14 reports**. Seven reports came from workers, five from customers and two from other stakeholders; 285 reports have been examined by the Ethics and Sustainability Committee since 2008.

REPORTS TO THE ETHICS AND SUSTAINABILITY COMMITTEE FOR STAKEHOLDERS (2008-2023)



The seven reports from **workers** concerned compliance with current environmental regulations for two company offices, remote-working management also relating to specific cases (workers with children under 14 and compatibility with law 104/1992), overtime, holidays and sharing of individual performance

by the manager with their team, job enhancement, diligence and efficiency in the use of company resources, work-life balance and communication between managers and employees. The reports received from workers at 31 December 2023, were all closed with the exception of the report received in December. The **Committee's contribution** consisted of: verifying the compliance of the behaviours reported with the Code of Ethics, in one case facilitating dialogue between workers and their Department, in another case, directing the Department towards the right channels, in particular the Whistleblowing channel, which is also for environmental offences within the scope of law 231.

The five reports received from **customers** were related to the clarity and completeness of communication with customers, the fairness of trading practices, the attention paid to customer needs, the continuity of service and the relationship with the customer. The reports received from customers at 31 December 2023 are all closed. The **Committee's contribution**, in summary, consisted of: evaluating the findings of Hera Comm (and EstEnergy) that were not fully compliant with the principles of the Code of Ethics and suggesting an increase in clarity, completeness and proximity to the customer when responding to complaints, as well as evaluating the potential of increasing the efficiency and effectiveness of direct telephone contact with the customer with the aim of avoiding repeated complaints. The Committee successfully facilitated dialogue between the whistleblower and the company, reassuring the whistleblower of the Group's focus on the fair trading conditions of its sales agencies.

The two reports received from **residents** (other stakeholders) were related to the topic of waste service management. The Committee found no violations for one report and for the other it found no link to the Code of Ethics.

In particular, it should be noted that no violations were found in relation to: corruption, discrimination and harassment, customer privacy data, conflict of interest, money laundering and insider trading.

The Committee maintained a **high level of interaction and collaboration** with Departments/Companies, always aimed at identifying and sharing, where possible, **opportunities for improvement**, as well as **promoting good corporate practices** even externally.

The Committee, whose members changed in 2023, **followed its work plan** relying on the support of the Shared Value and Sustainability Department.

In 2023, in line with the shared work plan, the Committee discussed the **sustainability report** project by validating the materiality analysis and examining the main contents before the Board of Directors, and it examined the specific sustainability reports "In buone acque" (In good waters)" and "Sulle tracce dei rifiuti (Tracking Waste)", and it explored the **new elements of the CSRD** (Corporate Sustainability Reporting Directive) and the related **ESRS** (European Sustainability Reporting Standards) **application standards**.

Risk management

[2-12]

Hera adopts an organisational structure that appropriately and conscientiously manages the **exposure** and **risk appetite** arising from its business, defining an integrated approach aimed at ensuring the effectiveness, profitability and sustainability of management throughout the entire value chain.

Top management plays a fundamental role in this process and is called upon to express the medium/long-term vision of the desired risk profile for the Group defining the risk areas within which the Group intends to move.

The Group's risk appetite is managed through three fundamental pillars which are:

- the establishment of a Governance system that through the definition of roles and responsibilities approves **risk limits** and the **risk management policy**;
- the development of a **method** to measure risk exposure in relation to which risk limits are set;
- the implementation of a **risk monitoring** and **management process** and remediation **actions** in the event of overrun.

The main risk categories identified in the **Group's risk management policy** and **risk model, associated with the strategic aspects of the Business plan** and identified as having a potential impact on the company for 2023 are shown in the table below:

HERA GROUP'S RISK MODEL

DRIVER	ESTERNI			STRATEGICI
Categorie	Eventi naturali e catastrofici	Finanziari	Ambiente competitivo-regolamentare	Indirizzo
Tipologie	<ul style="list-style-type: none"> Fattori climatici Eventi catastrofici Eventi naturali Atti di terrorismo/sabotaggio/vandalismo Pandemia 	<ul style="list-style-type: none"> Prezzo commodity Tasso d'interesse Liquidità Controparte Credito Downgrading Rating 	<ul style="list-style-type: none"> Evoluzione normativa Scenario macroeconomico Processo autorizzativo Concorrenza Disponibilità di rifiuti Condotta degli Organi di vigilanza/regolazione/indagine 	<ul style="list-style-type: none"> Iniziative di piano e investimenti Operazioni di M&A Business model Investor Relations Framework organizzativo & Governance Partner strategici
DRIVER	INTERNI			
Categorie	Operativi	HR/Organizzativi	ICT	Legal & Compliance
Tipologie	<ul style="list-style-type: none"> Ambientale Business continuity operations Guasti e avarie Qualità di servizio al cliente 	<ul style="list-style-type: none"> Gestione e sviluppo risorse umane Salute e sicurezza Change management Adeguatezza funzionalità dei processi 	<ul style="list-style-type: none"> Business continuity ICT IT provisioning IT security 	<ul style="list-style-type: none"> Compliance interna Compliance esterna Contenziosi Condizioni contrattuali Frodi esterne e interne

Neutralità Carbonica | Gestione Rischio | Rigenerazione risorse | Innovazione Digitalizzazione | Equità sociale e Prosperità | Profittabilità e sostenibilità finanziaria

For a description of the corporate governance system for the management of the risk and for the nature of the risks and their handling, please see the Group's Corporate Governance Report and the Management Report included in the Group's Consolidated Financial Statements at 31 December 2023. For a description of the risks linked to climate change, see the section "[Hera for the climate](#)".

Compliance system for corruption and fraud prevention

Importance for the Hera Group and monitoring of this aspect [2-26] [2-25]

Corruption and fraud pose a significant risk to business activities as they can significantly compromise the company's reputation and image and cause significant financial damage. HERA promotes the combating of corruption by taking a "zero tolerance" stance towards corruption and fraud in any form, reiterated both in the **Code of Ethics** and in the **Corruption and Fraud prevention model**. Furthermore, Hera Spa, again in 2019, obtained **ISO 37001** certification for the Management system for the prevention of corruption.

Hera's commitment applies to both employees and third parties (e.g. consultants, suppliers and business partners) through appropriate preventive measures, a disciplinary system and specific ethical clauses that all employees and third parties must accept and adopt.

Hera has adopted a structured compliance system consisting of tools and policies designed to prevent and combat active and passive corruption, in addition to the matters envisaged in the Group's **Code of Ethics** and the **231 Organisational Model**.

Hera's anti-corruption system comprises the following:

- Code of Ethics;
- Quality and Sustainability Policy;
- **Corruption and Fraud prevention model** that supplements the existing **231 Organisation Model**, which already covered the types of corruption included in Legislative Decree no. 231/2001;
- **Guidelines** for the prevention and management of fraud;
- periodic **audits** and **training** activities with a view to corruption and fraud prevention;
- a "**whistleblowing**" system for handling reports relating to offences concerning both corruption and those potentially significant for 231-related purposes.

The 231 organisational model

Legislative Decree 231/2001 introduced a **regime of administrative liability** into the Italian legal system for offences committed, in their own interest or to their own advantage, by natural persons acting as representatives, directors or managers on behalf of the entities, or by natural persons acting under the supervision of such persons or subjected to supervision or management on their part.

The Board of Directors of Hera Spa and the boards of the main Group subsidiaries have adopted the Organisation, management and control model (231 Organisation Model) aiming to ensure conditions of correctness and transparency in conducting business and company activities. 231 Organisational Model is aimed at **preventing all 231-related offences**, including bribery and corruption; conflict of interest cases are regulated and measures to protect the confidentiality of information are foreseen. The model includes the principles of conduct formalised in the Code of Ethics. In December 2021, the Group approved the revision of the organisation, management and control model pursuant to Legislative Decree no. 231/2001, which renewed the Hera Group's commitment to combating corruption and any offence relevant to 231 and to preventing situations involving a risk of crime being committed, spreading a culture of ethics and legality.

The companies **equipped with a 231 Model** are: Hera Spa, Acantho Spa, AcegasApsAmga Spa, A.C.R. Spa, Aliplast Spa, ASA Scpa, Biorg Srl, Estenergy Spa, Etra Energia Srl, F.lli Franchini Srl, Feronia Srl, Frullo Energia Ambiente Srl, Hera Comm Marche Srl, Hera Comm Spa, Hera Luce Srl, Herambiente Servizi Industriali Srl, Herambiente Spa, Hera Servizi Energia Spa, Heratech Srl, Hera Trading Srl, Hestambiente Srl, Inrete Distribuzione Energia Spa, Marche Multiservizi Spa, Recycla Spa, Uniflotte Srl, Vallortigara Servizi Ambientali Spa. As a whole, these 26 companies encompass **98% of Group employees**. Marche Multiservizi Spa set up its own "231 Model".

The Group companies, with the support of the Supervisory Board and the Group's Internal Auditing Department, after a mapping of company activities sensitive to the risks of offence included in Italian Legislative Decree no. 231/2001, have defined 30 protocols to be followed when carrying out sensitive company processes given that they are exposed to the potential risk of committing 231-related offences, a number of which were specifically tailored to meet the specific characteristics of the companies. In addition, companies periodically provide 39 information flows informing the Supervisory Board of processes at risk of 231 offence, including fraud and corruption. The protocols are widely distributed to all workers through their publication and periodic updating on the corporate intranet. Their application is analysed and monitored during the audit phase. In 2023, five were revised ("Management and communication of confidential, privileged and relevant information (P002)", "Hera Spa Separate Financial Statements and Group Consolidated Financial Statements (P016)", "Search, Selection and Recruitment of personnel and assignment of collaboration assignments (P021)", - "Procurement (P023)" - "Management of reports to the Supervisory Board (whistleblowing) (P029)". The Supervisory Board also approved specific protocols for the companies Vallortigara and Recycla (on environmental protection and health and safety at the workplace) and for Hera Luce (on the management of procurement contract accounting).

For more information on 231 Model, see the Corporate Governance Report in the 2023 Annual Financial Statements.

231-related risk assessment activities
 [205-1]

The risk assessment activity (both standard and for 231 Model purposes) carried out by the Internal Auditing Department concern all the business processes of the Hera Group. A mapping of the activities carried out by the business and staff units is carried out every three years, determining whether they are exposed to risk. **The risks examined are:** regulatory compliance, reliability and integrity of information, protection of company assets and effectiveness and efficiency of operations. The risk map has logics and assessment scales in line with those used by the **Enterprise risk management**. It includes the risks of fraud, corruption (also in relation to ISO 37001 Certification) and the offence referred to in Italian Legislative Decree 231/2001. Specifically, **one thousand risk scenarios** were identified (the monitoring of which is constantly being updated), against which the inherent risk (i.e. not yet involving mitigation measures) was initially assessed and, downstream of the mitigation actions carried out by the internal control system, the residual risk as well. These activities were carried out on the basis of the results of the previous assessments, on the outcomes and the key aspects of the audit activities performed, the Enterprise Risk Management analysis presented to the Board of Directors of Hera Spa in January 2021 and in relation to the sector risks deriving from benchmarks of other peer companies. The assessments, referring to the risk event, were guided and gauged in relation to the type of the processes or the business: the drivers which supported the assessments and the prioritisation of the risk aspects also took into account the peculiarities of the Group. The risks referred to in Legislative Decree no. 231/2001 have been identified by macro-processes, assessed ad hoc and included in the risk assessment within the sphere of the compliance risks.

As part of the risk assessment activities, the areas of risk from the **crime of corruption** are identified mainly in the dealings with Authorities and supervision and control bodies governed by public law that the Group maintains, for example, within the scope of participation in public tender procedures, in the application for licences, administrative measures and authorisations, in the sending of reporting documents, in the stipulation and execution of contracts with public administrations. These areas, together with spheres such as tenders, donations and sponsorships, entertainment expenses and the management of credit positions and tax risk, are constantly monitored. In addition to these areas, there are areas exposed to the offence of corruption between private parties, such as the management of

active contracts (preparation, participation in tenders, negotiation, etc.), commodity trading, dealings with third parties, the selection, recruitment and administrative management of personnel and the procurement of goods, work and services.

The risk assessment activities generated a **risk-based audit plan** for the Hera Group. The risk assessment, developed for the three-year period 2022-2024, was approved by the Board of Directors of Hera Spa in the meeting of 15 December 2021, along with the audit plan for 2022-2024. On 14 December 2022, the relevant annual audit plan for 2023 was approved. During the year the related audits were conducted, the most significant risk areas were identified and the related risk mitigation actions were agreed with management. Finally, on 13 December 2023, the annual audit plan for 2024 was approved.

Based on the matrix identified in the risk assessment, the Hera Group's Internal Auditing Department specifically focused on the risk of **fraud and corruption**, examined in its implementation methods with respect to the various processes and stakeholders of reference (e.g., Public Officials or Hera business partners). During 2023, the audits envisaged in the plan that are significant for anti-corruption purposes were carried out. The analyses **did not reveal any corruption incidents**; furthermore, there were no reports of proven corruption incidents pursuant to Decree 231.

[205-3] On 12 April 2019, the 231 protocol "Handling of reports to the Supervisory Board (whistleblowing)" was published, which governs the process of reporting offences to the Supervisory Board and the subsequent investigation activity that involves the Internal Auditing Department, with the involvement of the competent company departments (Central Legal and Corporate Affairs Department). There are channels for reporting to the Supervisory Board both by post and by email. Since 2021, a web tool has been created that allows reports to be forwarded to the SB promptly and anonymously. These channels are made public through indications on the Group website.

In 2023, after Legislative Decree no. 24/2023 entered into force, both the tool and the 231 protocol on reporting offences were updated, also appearing in the information found on the Group's websites, with additional communication channels also being provided (oral with in-person meetings, if requested by the whistleblower).

The cited procedure for "whistleblowing" envisages measures to protect the confidentiality of those who makes reports and establishes a specific channel for receiving reports on corruption, fraud and 231-related offences in addition to the one envisaged by the Group's Code of Ethics. During 2023, 11 reports were received by the Supervisory Board; none of which led to a positive finding of the commissioning of 231-related or other offences. Those deemed relevant mainly concerned: sales activities, health and safety, personnel management and alleged harassment, supplier management, environmental protection.

In 2023, the Internal Auditing Department carried out all its activities, process audits, Risk Assessment, 231-related activities and all other additional activities, in line with the best practices complying with the international Quality Assurance Review certification.

Management and prevention of fraud

The Hera Group published the "**Model for the Prevention of Corruption and Fraud for the Hera Group**" in October 2023, with the aim of defining the principles adopted by the Group for this issue, the roles and responsibilities in the field of prevention, detection and investigation of potential fraud, promoting behaviour within the organisation that is consistent and aligned with the principles expressed.

[205-3] The Central Legal and Corporate Affairs Department **did not receive any reports about fraud risk** in 2023.

At present, fraud risks are assessed and managed in the Internal Auditing Department's Risk Assessment, and the associated reports are dealt with through the Compliance Function/Supervisory Board's own whistleblowing tool, in close correlation with 231 and anti-corruption issues.

As part of the 262/05 compliance activity, the control matrices (Risk Control Matrix) are supplemented with fraud risks, whenever considered potential; the result of the testing activity is considered to cover both compliance risk and fraud risk.

Main activities and results achieved
[2-16]

Since 2019 a comprehensive management system for the prevention of corruption and fraud has been operational which in 2021, after an audit by the third-party certification body Bureau Veritas, allowed Hera Spa, the parent company that manages the most important services most exposed to the risk of corruption, to renew the ISO 37001 certification, obtained in October 2019, in July 2023. The system is based on the Quality and Sustainability Policy which guarantees the Group's commitment not to tolerate any form of illegality, corruption and fraud and envisages a system of sanctions for such behaviour, also encouraging the reporting of illegal or even only suspicious events, without fear of any retaliation. All the Hera Group Companies which adopt the Group's 231 Organisation Model implemented the **fraud and corruption prevention model**, which supplements the already existing model for the prevention of 231-

related offences. In July 2023 the Model was updated in order to strengthen fraud prevention activity. This document defines the concept of corruption, both active and passive, and disciplines the measures to prevent corruption and unpermitted conduct in the various dealings subject to risk of offence: with public officials, customers, suppliers and all other business partners.

Moreover, the Compliance Unit is operational, supervising the anti-corruption management system, examining the results of the audits conducted to these end by the Internal Auditing Department and monitoring corruption risk and preventive and risk mitigation actions.

From 2023 onwards, the principles present in the Fraud Risk Prevention Guideline, approved as early as 2018 to support the prevention and management of fraud, started being merged into the Model for the prevention of corruption and fraud which has therefore been renamed "Model for the prevention of corruption and fraud"

The aforementioned model assigns roles and responsibilities within the sphere of the prevention, detection and investigation of potential fraud, promoting behaviour within the organisation that is consistent and aligned with the principles expressed.

At present, fraud risks are assessed and managed in the Internal Auditing Department's Risk Assessment, and the associated reports are dealt with through the Compliance Function/Supervisory Board's own whistleblowing tool, in close correlation with 231 and anti-corruption issues.

In relation to activities in **compliance with Law No. 262/05**, the planning foreseen in the reporting Manager's Plan for the year 2023 was adhered to, with the exception of changes occurring during the year. The controls in the matrices used for assessing the processes were integrated with fraud risks in cases in which the risk existed; the result of the test for the purpose of proper preparation of the financial reporting also covers the linked fraud risk. The tests carried out **did not find any anomalies linked to fraud**.

With regard to the separation of roles and activities (SoD-Segregation of Duties), the verification of the correct definition of roles continued in order to avoid functional overlaps and operational allocations that concentrate critical activities on a single subject, taking into account the correct alignment between the IT profile and its related organisational role.

Risk rules in the SAP environment for the Active Cycle and the Passive Cycle were mapped in specific SoD Matrices; the activity will continue in the coming years for all further processes identified.

Managing sustainability

[2-9]
 [2-12]
 [2-13]

In order to ensure **social responsibility and sustainability in planning and corporate management**, in May 2005, the Board of Directors of Hera Spa set up a Corporate Social Responsibility Organisation Unit, reporting to the CEO, which became a Department in 2010. Hera has thus been one of the first companies in Italy to endow itself with a unit dedicated to corporate social responsibility. As from 1 March 2019, in line with the development process undertaken in the last few years, the CSR Department was renamed the **Shared Value and Sustainability Department**. The Department is responsible for proposing and defining the company guidelines on corporate social responsibility and on the creation of shared value as well as the policies concerning reporting on the shared value and on sustainability; it oversees the **balanced scorecard** system, drafts the **reporting on sustainability** and **shared value** and proposes initiatives and pilot projects within the CSR/CSV sphere; it works together on the stakeholder engagement initiatives and is responsible for the periodic up-date of the Group's Code of Ethics. The SVS Director is a member of the Group's Ethics and Sustainability Committee.

In 2023, the Department conducted an analysis on the current Sustainability Report in order to understand how to respond to the European legislation regarding sustainability reporting, which will come into force with the 2024 report (**EU directive 2022/2464 - CSRD**). In February 2024, a working group composed of various Group Departments was established, tasked with identifying and implementing the actions required to draw up the 2024 Sustainability Statement in full compliance with the new legislation.

At **AcegasApsAmga**, the sustainability report unit is part of the Administration, Finance, Control, Sustainability Report and Regulatory Department. It carries out the sustainability accountability activities, laying down in the context of AcegasApsAmga the corporate guidelines related to corporate social responsibility, and ensures that top management is informed on the progress of the pertinent issues. It also guarantees the implementation of the balanced scorecard system in line with the Business plan, the Budget and the Group guidelines.

At **Marche Multiservizi**, the sustainability report unit is part of the External Relations, Institutional Relations and Regulatory Affairs department and carries out sustainability accountability work.

The Code of Ethics
 [2-23]
 [2-24]
 [2-25]

The Code of Ethics is the document that contains **the commitments and ethical responsibilities** to be implemented by the managers, the workforce and collaborators of the Group for the achievement of corporate objectives. The Code of Ethics guides the business management and the individual conduct towards the observance of the ethics values and the functioning principles of Hera which represent, together with the mission, the basis of the principles contained in the articles which make up the Code. **Supplier qualification** is subject expressly to acceptance of the Code and the supply contracts drawn up by the Group companies include **termination clauses** in case suppliers fail to comply with the principles of the Code of Ethics.

The Code of Ethics was approved by the Board of Directors in 2007 and is subject to **checking and updating on a three-yearly basis** by means of a participative process which involves all the workers and trade unions. The sixth and current version of the Code of Ethics was approved by the Board of Directors on 8 February 2023. This review process involved management, workers in various forms and trade unions and was one of the most attended in the history of the Code. The Code was updated in the light of Hera's purpose introduced in 2021 in the Articles of Association of Hera Spa and the major changes in the external scenario that have taken place over the last three years. Commitment to a just ecological and digital transition, attention to vulnerable customers, the promotion of the working and personal well-being of our people, and the importance of engaging in dialogue and listening, even in times of crisis, were also introduced. In addition, more emphasis was placed on striving for environmental and social sustainability together with local communities and integrity in dealing with institutions and authorities. The language, a fundamental tool for transmitting and grounding the contents of the Code, was subject to innovation and simplification.

The Code of Ethics is one of the main instruments underpinning Hera's commitment to **human rights and workers' rights**: it ensures that international reference texts are applied within the company and disseminated to all stakeholders. In fact, Article 6 of the Code provides that **the implementation and dissemination of the Code is the responsibility of all addressees**, in proportion to their responsibilities. The main ethical references of the Code are the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, its eight main Conventions and the UN International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, the Charter of Fundamental Rights of the European Union.

All the new recruits and the new employees entering the Group further to corporate acquisitions are involved in a training session on the contents of the Code of Ethics via the ethic game **AlfabEtico**. During 2023, the training content was updated in line with the new Code of Ethics and the training continued. Thanks to the contribution of internal facilitators, 31 training sessions were held and 590 people were trained at Group level. The satisfaction rating of the initiative was very high (4.7 out of 5). The group will engage in providing continuity of training, including through the involvement of workers as trainers.

In 2022, **CSR seminars** were designed dedicated to the management of relations with suppliers in the event of anomalies: they were formulated in pills involving employees. A number of articles of the Code of Ethics are part of the teaching materials. In 2023, seminars were broadcast in distance learning mode. 482 workers were involved in the supplier monitoring processes covered in training.

In 2023, an **informative document** for the new **purpose-driven Code of Ethics** was drawn up and distributed with the aim of promoting its purpose, mission, values and operating principles. The document also contained a map highlighting the articles where the purpose was referred to.

The quality, safety, environmental, and social responsibility management system
 [403-1]
 [403-8]

In 2023, the Hera Group companies **maintained or renewed** the validity of all existing **certificates**. The certification body took around 450 man-days in total to conduct its audit activities for the various certification schemes. It highlighted the overall compliance with the requirements of the reference standards and suggested ideas for improvement to Hera to allow it to constantly develop its management systems. All the audit activities concluded positively making it possible to **maintain the certification of quality, safety, environment and energy system** of Hera Spa and the other Group's companies including Inrete Distribuzione Energia, Uniflotte, Heratech and Acantho, as well as the Herambiente, AcegasApsAmga and Hera Comm Groups, including the AFNOR XP X30-901 certification relating to the management system of the Circular Economy projects of Hera SpA, AcegasApsAmga, Hera Luce and Hera Servizi Energia.

In 2023, the Hera Group developed a **management system for gender equality** and obtained **UNI/PDR 125 certification** for 11 corporate names (Hera SpA, Inrete, Heratech, Hera Comm, Acantho, Herambiente, HASI, Acegasapsamga, Hera Luce, Hera Servizi Energia, Marche Multiservizi). In 2023, ISO 50001 certification was also obtained for the energy management system of Herambiente Servizi Ambientali and ISO 14001 certification was obtained for Acantho. The development of management systems in line with the most recognised international standards will continue in 2024.

Indeed, significant projects are already underway, such as ISO 37001 certification for Marche Multiservizi's corruption prevention system.

Finally, in 2023, Bureau Veritas was again awarded the contract to carry out all certification activities for all Hera Group companies. The decision to entrust all checks to a single certification body guarantees a uniform approach and helps the assessors gain a better understanding of the reference context. This decision also helps respond to the requirements of efficiency and means that commitments can be rationalised thanks to the synergies that can be found during the planning of activities and when audit teams interact.

Hera's commitment to quality, safety, environment and social responsibility certification

The management systems adopted establish the requirements that are necessary in an organisation to improve corporate processes in order to increase the satisfaction of the end customer, who is the end beneficiary of the services provided by Hera, to develop and improve its environmental and energy performances, to improve workplace health and safety and its social performance. The high diffusion of the Group companies' certified management systems is shown in the following table.

CERTIFIED MANAGEMENT SYSTEMS AT GROUP COMPANIES (2023)

Management system	Group	
	No. of companies	% of employees
ISO 9001 - Quality	29	99%
ISO 14001 - Environment	23	90%
ISO 45001 - Health and safety [403-8]	22	88%
ISO 50001 - Energy	11	72%
UNI/PDR 125:2022 – Gender equality	11	81%
SA 8000 - Social responsibility	4	23%

Excluding the sales companies (Hera Comm and subsidiaries, Hera Trading) from the calculation of the percentage of workers with environmental certification (ISO 14001), the value totals 99.7%.

The percentage of energy consumed at Group companies that have **ISO 50001 energy certification** is 98% of the total (it was 96% in 2022).

In addition to the certified management systems described above, Group companies hold the following certifications:

- **ISO 37001** (management system for corruption prevention): Hera Spa, A.C.R. Spa.
- **Uni 11352** (companies providing energy services - ESCO): Hera Spa, Hera Servizi Energia Spa, Hera Luce, Hera Servizi Energia and Marche Multiservizi.
- **ISO 17025** (laboratory accreditation): Herambiente Servizi Industriali, HeraTech, Marche Multiservizi, Recycla.
- **ISO 27001, ISO 27017 e ISO 27018** (set of rules comprising the data security management system), **ISO 27701** (privacy certification) and **Tia-942 Rated 3** (international standard that evaluates the configuration and maintenance of the key aspects of Data Centres): Acantho and Aregas (the latter for **ISO 27001** only).
- **AFNOR** (circular economy project management system): Hera Spa, Hera Luce, AcegasApsAmga, Hera Servizi Energia Spa.
- **EuCertPlast** (European certification of companies that recycle plastic materials), **ISO 22000** (food safety management system), **ISO 28000** (supply chain safety management system), **RecyClass** (Recyclability of packaging): Aliplast.
- **AWS International Water Stewardship** (international standard in water conservation): Hera SpA Val di Setta drinking water treatment plant.
- **ISO 14067** (carbon footprint): Ferrara district heating service;
- **CPR** (Building materials certification - aggregates): Herambiente Servizi Industriali;
- **F-GAS** (Companies authorised to operate with fluorinated greenhouse gases): Hera Servizi Energia Spa;
- **Mass Balance** (private regulation owned by MATREC for the creation of a management system for the application of mass balances): Hera Servizi Energia Spa, Hera Luce;
- **Biomethane**: (certification based on the National sustainability certification for biofuel and bioliquids) Herambiente, Biorg.

The Group's main waste treatment plants are **EMAS registered**. Therefore, the new objectives envisage the maintenance of the results achieved to date for the plants registered and any implementation of the registrations for the new plants that will be created or that will enter the Group. At the end of 2023, **37 facilities had EMAS registration. 100% of the waste treated** by the Group was treated **at plants with ISO 14001 certification**.

5.03 Added value for stakeholders

The production and allocation of added value

[201-1]

In this Sustainability Report, added value is understood as the difference between revenues and production costs not constituting corporate stakeholder remuneration and the purchase costs for goods and services useful for the production process. It is therefore the difference between the revenues and costs incurred for the purchase of the production factors from other businesses and thus **represents the value that the production factors within the company, its own capital and labour, "added" to the inputs coming from outside**. The concept of added value adopted here is distinct from the definition of added value applying strictly to accounting practices. Here, the methodology applied is the one proposed in 2001 by the Gruppo di studio per il Bilancio Sociale (GBS). **With respect to GBS methodology**, rental payments for the use of assets owned by shareholder municipalities and sponsorship costs are considered, as they are deemed significant for stakeholders. In addition, in contrast to the proposal of the GBS, the portion of value allocated to financial institutions was calculated considering the balance of financial income and charges, as this is deemed a better quantification of the relationships with this type of stakeholder as opposed to the sole figure of financial charges. With this framework, the gross overall added value distributed is almost equal to the gross added value produced by normal operations.

There are two important reasons for using the indicator of added value. Firstly, it enables **quantification of the wealth generated by the company**, and accounts for how this wealth was generated and how it is allocated to stakeholders; it is therefore useful for comprehending the economic impacts the company produces. Secondly, through this report it **connects the sustainability report with the annual financial statements**. In this sense, production and distribution of added value is an instrument by means of which we can reconsider the corporate annual financial statements from the vantage point of stakeholders.

PRODUCTION OF ADDED VALUE

(mn€)	2021	2022	2023
Revenues	10,377.1	19,871.3	14,976.8
Other operating and non-operating revenues	400.1	548.2	667.8
Grants received from public institutions	-36.0	-60.6	-95.7
Consumption of raw materials and consumables (net of changes to raw materials inventories and stocks)	-6,668.5	-16,730.0	-9,672.2
Costs for reclassified services	-2,380.2	-2,023.1	-3,570.0
Bad debt provisions	-94.4	-133.9	-158.0
Accruals to risk provisions and other provisions	-54.4	-56.1	-76.4
Other reclassified operating costs	-25.8	-31.6	-48.5
Capitalised costs	60.8	82.5	82.1
Core gross added value	1,756.8	1,684.1	2,026.4
Portion of profit (loss) pertaining to associated companies and joint ventures	13.2	10.0	10.3
Gross overall added value	1,764.4	1,674.1	2,036.7

The values of the consumption of raw materials and consumables, costs for services and other operating costs are indicated net of the costs considered as stakeholder remuneration.

Gross overall added value generated for stakeholders in 2023 came to **2,036.7 million euro**, increasing by 362.6 million euro on the previous year (+21.74%). As of 2027, the value added to stakeholders is expected to amount to 2.4 billion euros.

DISTRIBUTION OF ADDED VALUE TO STAKEHOLDERS

mn€

	2021	2022	2023
Employees	592,8	601,1	641,1
Shareholders	217,9	236,3	250,3
Company	618,1	546,1	752,2
Financial institutions/Banks	218,0	135,0	187,9
Public Administrations	115,1	151,8	201,0
Local communities	2,5	3,8	4,2
Gross overall added value	1.764,4	1.674,1	2.036,7

The portion of added value allocated to **employees** increased by 40 million euro compared to 2022 (+7%). About 30 million euro of this increase was related to the change in the scope of consolidation generated by corporate acquisitions (see the “Methodological Guide” section for changes in the scope of consolidation). Net of these events, the increase in personnel costs was limited to 1.7%, due to the salary increases provided for by the national collective labour agreements.

The portion allocated to **shareholders** of Hera Spa and to minority shareholders of subsidiaries increased by 14 million euro (+6%). This portion consists of 208.5 million euro for dividends distributed to Hera Spa shareholders (an increase compared to 2022 due to the increase in the portion of dividends distributed from 12.5 to 14 eurocents per share) and 41.8 million euro for the portion of profit attributable to minority shareholders of Hera Spa subsidiaries.

37% of the added value produced in 2023 was **reinvested within the company**. This portion increased compared to 2022 (+38%) and includes operating profit that is not distributed to shareholders (232.9 million euro, vs 69 million euro in 2022) and depreciation and amortisation of investments made (519.3 million euro; +9% compared to 2022). The increase in retained earnings is related to the significant increase in the result for the period against a dividend that continued to grow according to the expectations of the business plan, but less than proportionally to the respective profit.

The share of added value distributed to **financial institutions** amounted to 187.9 million euro in 2023 (9.2% of the total; up 39.2% from 2022). This share consists of 345.0 million euro in financial expenses (vs 217.2 million euro in 2022) and 157.1 million euro in financial income (vs 82.2 million euro in 2022). The increase in financial expenses was mainly due to the financial funding transactions carried out during the second half of 2022, within an environment of rising interest rates, and the higher volume of loans in the portfolio at the end of 2023, as a result of the 110% bonus with subsequent transfer. The increase in income, on the other hand, was mainly due to the increase in income from loans to Group companies for centralised treasury and loans disbursed and the increase in bank interest due to an increase in average available deposits, remunerated at rising interest rates compared to 2022.

The portion distributed to **public administrations** amounted to 201.0 million euro, 10% of the total (up 32% from 2022). The main items are described below.

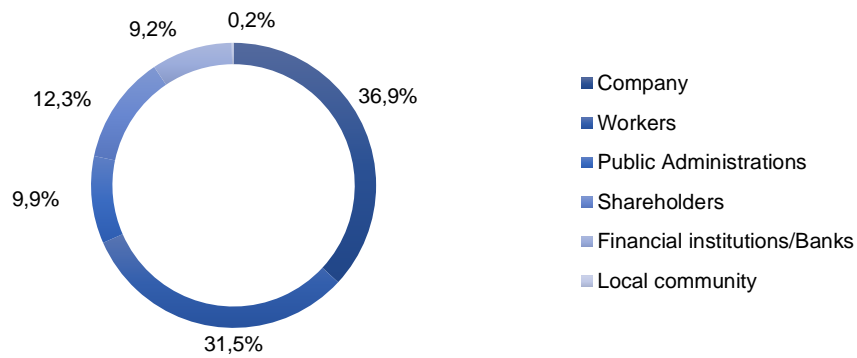
Taxes and duties amounted to 198.2 million euro (9.7% of the total value added distributed), up 66% from last year. Taxes and levies amounted to 129.4 million euro paid to the national government (vs 68.7 million euro in 2022), 43.8 million euro to Regions and 25.0 million euro to Provinces and Municipalities (27.1 million euro and 23.3 million euro respectively). In 2023, corporate income taxes amount to 173.2 million euro (+81% compared to 2022).

The portion relating to public administrations includes **fees** paid for the use of production facilities used by the company owned by the member municipalities, amounts allocated to municipalities for **environmental compensation** relating to waste disposal plants, and the **operating costs of the national (ARERA and AGCM) and local authorities**. In 2023, total fees and compensations amounted to 91.6 million euro (vs 87.4 million euro in 2022), while the operating costs of the authorities amounted to 7.0 million euro.

Public subsidies received in 2023 amounted to 95.7 million euro (+58% compared to 60.6 million euro in 2022); this portion is subtracted from the share of added value distributed to public administrations.

Finally, 4.2 million euro was allocated to **donations** (1.3 million euro) and **sponsorships** (2.9 million euro); these items are detailed in the section “Economic development and social inclusion”.

ALLOCATION OF ADDED VALUE TO STAKEHOLDERS (2023)



[203-1]

Investments

Including capital grants, the Group’s operating investments, amounted to 815.8 million euro, up 106.3 million euro compared to the previous year (+20.5%) and mainly concerned work on plants, networks and infrastructures. In addition, regulatory adjustments were made, particularly on gas distribution for the large-scale replacement of meters and for the purification and sewage sectors. See the Hera Group’s “Directors’ report” for further details. As of 2027, realized investments are expected to amount to 4.4 billion euros.

Hera Group tax strategy and model

[207-1]
[207-2]
[207-3]

With the aim of ensuring full control over tax risk, the Group launched a project in previous years to improve its procedures and organisational set-up, i.e. to promptly detect all potential factors that generate it and that are partly exogenous (interpretative uncertainty caused by ambiguity or lack of clarity in tax regulations) and partly endogenous (incorrect and/or untimely compliance with mandatory requirements, failure to detect new regulations, conducting operations that may be disputed by the tax authorities as abusive).

The first part of the project concerned the introduction for the parent company Hera Spa of a **Tax control framework (TCF)**, which may be defined as a set of rules, procedures, organisational structures and controls, aimed at detecting, measuring, managing and controlling tax risk, understood as the risk of incurring tax violations or conflicting with the principles and purposes of the Italian legal system (abuse of law). The second part of the project, currently being completed, involves the operational launch of a cooperative compliance process with the tax authority (a collaborative compliance regime under Italian law) which requires that the taxpayer adopt a TCF model.

The **TCF model** is based on four fundamental pillars:

- **control environment:** adopting a tax strategy, approved by the Board of Directors, aimed at defining the principles and limits guiding tax risk management;
- **risk assessment:** identifying potential tax risks impacting the company and introducing appropriate safeguards to detect their emergence and mitigate their effects;
- **governance:** identifying the roles and responsibilities of the actors involved in the management of the tax variable, defining information flows between these actors and processes for the effective and, whenever possible, preventive control of tax risk;
- **monitoring:** verification activities carried out on an ongoing basis to assess the adequacy and effectiveness of the implemented tax control framework.

The Hera Group’s TCF is part of the internal control and risk management system set up by the Group. As part of the internal control system, TCF integrates and borrows the operating logic of the accounting and administrative control system, aimed at ensuring the reliability, accuracy, trustworthiness and timeliness of financial reporting in accordance with the regulations governing its preparation. At the same time, the presence of an internal control model on tax risks makes it possible to introduce specific policies with regard to the organisational model of management and control for the purposes of the liability of the entity, pursuant to Legislative Decree no. 231.

The design, implementation and maintenance of this system, as well as its periodic evaluation, are inspired by international best practices (i.e. “CoSo” framework). TCF’s monitoring activities are entrusted

to the **tax risk officer** who, as head of the tax control department, has the role of verifying the adequacy and effectiveness of the control system adopted for tax risk management.

The tax risk officer guarantees autonomy and impartiality in carrying out of tax audits and coordinates with the activities conducted to provide assurance within the other internal control systems, also in order to ensure efficiency in monitoring activities. The tax risk officer also provides an annual report, submitted to the Board of Directors for approval, describing the monitoring activities and adequacy of the TCF.

The internal audit department, as a third-level control function, ensures that the control system, and thus also the TCF, is adequate overall.

From a formal point of view, the TCF model comprises three fundamental governance documents:

- **tax strategy:** principles governing the management of taxation;
- **Tax compliance model:** roles and responsibilities for TCF management;
- **Interpretation risk management policy:** regulating the process of detecting, assessing and assuming interpretation risk.

The parent company Hera Spa has approved the Fiscal Strategy document approved by resolution of the Board of Directors, while the remaining documents are being completed and approved. These documents have, in any case, already been translated into applicable operating policies, but have not undergone the Board of Directors' approval process because they need to be fine-tuned with the relevant tax authority after full entry into the cooperative compliance regime, as discussed below.

In 2023, the TCF model was extended to the companies of the Hera Comm Spa Group, Hera Trading Srl, Inrete Distribuzione Energia Spa and Herambiente Spa, with the aim of maximising tax risk coverage and control.

Cooperative compliance

The most advanced countries, under the leadership of the OECD, have developed an innovative model for the relationship between the tax authorities and larger taxpayers, called "**cooperative compliance**", which was enabled by the implementation of the Tax control framework. In Italy, the **collaborative compliance regime** provides for constant interaction between the taxpayer and the Inland Revenue office, making it possible to move from a system based on post tax audits, initiated years after the end of the tax year in question, to a system of continuous preventive audits, through which the taxpayer and the Internal Revenue office discuss the best way to manage the tax variable; hopefully but not necessarily this leads to the sharing of the company's choices before the tax return is sent. The regime, which was introduced in 2015 and has been operational since 2017, was adopted by several of the country's largest taxpayers.

Adopting the cooperative compliance regime entails, in summary, the following advantages:

- evolved methods of interacting with the Inland Revenue office, being able to count on a single interlocutor, part of the Large Taxpayers and International Central office, with a view to obtaining prior certainty on the tax handling of doubtful cases, with a reduction in potential liabilities and disputes;
- reduction of the applicable administrative fines (by half of the minimum amount) for any violations subject to assessment, as well as suspension of the relevant collection until a judgement is made, and mitigation of the risk of criminal liability for any tax offences that may occur;
- reputational benefits, linked to the fact that the list of adhering entities is published on the official website of the Inland Revenue office, as well as positive spin-offs in terms of corporate social responsibility;
- compliance with the highest international standards of tax compliance.

On 21 December 2023 Hera Spa was formally admitted to the collaborative compliance regime and in 2024 we expect to receive updated information from the tax authority to render the collaborative and dialogue-based relationship fully operational.

In December 2023, the companies which the TCF model was extended to submitted applications to the relevant tax authority to join the collaborative compliance regime and at the end of 2024, once the preliminary investigation and dialogue phases are completed, it will formally enter this regime.

The main tax figures for Italy, which on average account for more than 99.5% of total Group values, are summarised below.

[207-4] **TAX REPORTING ITALY**

(mn€)	2022	2023
Revenues from sales to third parties	19,791.4	14,921.6
Pre-tax profit/loss	415.4	662.5
Tangible assets, other than cash holdings and cash equivalents	1,978.6	2,053.6
Corporate income taxes paid on a cash basis	165.9	96.6
Corporate income taxes accrued on profits/losses	114.9	229.5

5.04 Shareholders and financial institutions

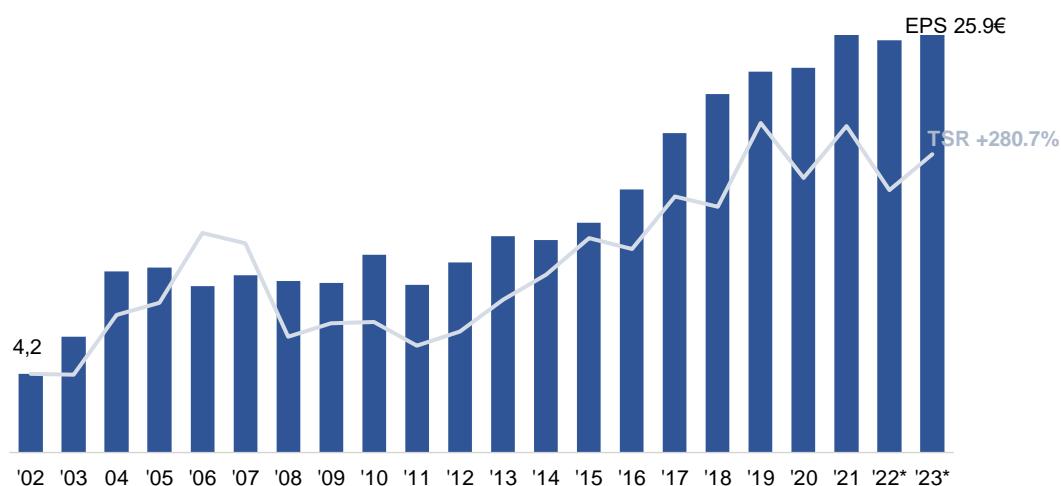
Hera's commitment towards investors

Hera undertakes to create value by placing the quality and efficiency of the services managed and the growth by lines, both internal and external, at the centre of its strategic approach; at the same time, it pursues a balanced development of the strategic areas of its business portfolio.

The stability of these strategic policies over time, the low-risk appetite and the sustainable management approach have contributed towards producing economic-financial results constantly on the up over 21 consecutive years, also under adverse market conditions.

Total Shareholders return with respect to the initial public offering (IPO), came to **+280.7%** at the end of 2023: a value which has always remained positive in periods characterised by considerable volatility on the financial markets.

TOTAL SHAREHOLDER RETURN (TSR) FROM THE IPO COMPARED TO EARNINGS PER SHARE (EPS) GROWTH



* Values adjusted to exclude transitory accounting effects due to gas inventory valuation. See the Directors' report on economic performance for more details.

Complete transparency with shareholders and financial markets on the creation of value










Hera promptly provides the market with significant economic-financial information in a **timely** way, facilitating the correct assessment and the transfer of the value generated by operations to the listed shares, respecting the different categories of shareholders by addressing dedicated communications to them.

Hera continues to make the greatest commitment so as to ensure a **plurality of professional and independent** appraisals of the company's value and the Group's sustainable approach.

In order to offer professional third-party opinions on the Group and its results, under the direct control of the Executive Chairman the Group Investor Relations maintain constant **monitoring of the analyses** conducted by financial analysts, even **ESG**, that cover the stock in order to intercept any changes in sensitivity and the evolution of the best practice, not to mention to promote ongoing improvement of the fulfilment of investor requests.

Beginning in 2019, the Group has an **ESG analyst management policy** to select the most authoritative external stakeholders with the best research quality, to whom it will provide the necessary assistance so that they can fine-tune their knowledge of the Group in order to more closely adhere to the practices and strategies undertaken since its foundation.

ESG SCORING OF HERA STOCK

Company	Scoring	Comment
 Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	82 Top 1% (December 2023)	Hera earned an overall score of 82/100, an outcome that places it as the second best multi-utility worldwide (43/100 the sector average). Hera also achieved the best score for the Environmental and Social sustainability areas
 SUSTAINALYTICS	16.6 low risk (January 2024)	Hera earned an overall score of 16.6, an outcome that includes it in the companies with a low ESG risk (best European multi-utility). The score increased +1,6 points in relation to 2022
 Moody's ESG	Advanced (September 2023)	Hera was ranked in the Advanced category, preliminary for inclusion in the Italian Stock Exchange's 'Mib Esg' index, which is based on assessments by Vigeo
 MSCI	A (January 2024)	Hera confirmed A rating by MSCI. In particular, the score shows a strong outperformance in the 'Carbon Emissions' category with a score of 10/10
 CDP	A- (December 2023)	In 2023 Hera was rated A-, an improvement compared to its B rating achieved the year before. This result places the Group at Leadership level. Hera's rating is higher than both the European regional average and the Energy networks sector average, which are both B.
 INTEGRATED GOVERNANCE INDEX	2 nd place (June 2023)	In 2023, Hera ranked first again for integrating sustainability policies into its business strategies
 REFINITIV	Top 100 (September 2023)	In 2023, Hera was the first multi-utility company in the world in the ranking drawn up by Refinitiv for the promotion of diversity, inclusion and staff development.
 Bloomberg	80.1/100 (January 2024)	With a score of 80/100, in line with last year and better than the average for both the sector and the Italian companies examined, Hera is one of the 484 listed companies included in Bloomberg GEI 2023, selected out of over 11,700 companies
 ISS ESG	B- Prime	Hera secured its B- rating with Prime status, positioning itself as one of the leaders in the sector. It also ranks at the top for environmental and social areas

The **sustainable indices** include securities of excellent companies from the standpoint of business sustainability in order to facilitate the investment choices of socially responsible funds (Sri). The organisation of these indices considers that the companies with sustainable management, from an environmental standpoint, as well as with regard to the dealings with the stakeholders and the corporate governance, **obtain significantly higher results** than their competitors over the long-term.

SUSTAINABLE INDICES IN WHICH HERA STOCK IS PRESENT

STOXX

Indici STOXX Sustainability	Indici STOXX ESG-X	Indici STOXX Environmental Leaders	Indici STOXX ESG Target	Indici STOXX Clean Energy	Indici STOXX Climate Awareness
Indici STOXX Industry Neutral ESG	Indici STOXX Low Carbon	Indici STOXX ESG Social Leaders	Indici STOXX ESG Leaders	Indici STOXX ESG+	Indici STOXX Climate Impact
Indici STOXX Climate Transition	Indici STOXX ESG Governance Leaders	Indici STOXX ESG	Indici STOXX Low Risk	Indici STOXX Responsible SDG	

MSCI

Indici MSCI Climate change	Indici MSCI ESG Universal	Indici MSCI Low Carbon	Indici MSCI ESG Focus	Indici MSCI ESG Leaders	Indici MSCI ESG Screened
Indici MSCI ex Controversial Weapons	Indici MSCI ex Coal	Indici MSCI ex Tobacco	Indici MSCI ex Fossil Fuel	Indici MSCI SRI	Indici MSCI Womens Leadership

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Dow Jones Sustainability World Index	Dow Jones Sustainability Europe Index
--------------------------------------	---------------------------------------

BORSA ITALIANA

MB ESG

FTSE Russell

FTSE4Good

ECPI

ECPI Euro ESG Equity	ECPI Global Blue Gold GD Equity
----------------------	---------------------------------

REFINITIV

Refinitiv Diversity and Inclusion Index

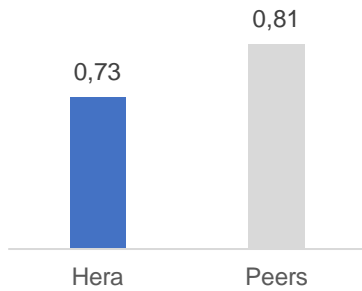
Bloomberg

Bloomberg Gender Equality Index

The commitment to reducing investment risk

Hera pays great attention to the **monitoring of the risk components** associated with the trend of its stock on the stock market, such as the volatility of the listed prices (beta index), which was lower than other local utilities over the three-year period.

HERA AND PEER 3-YEAR BETA (2023)



These characteristics of the stock are consistent with the **strong resilience of economic results**, the low risk profile of the portfolio of assets under management, the **solidity of the governance** and the business model, oriented towards constant growth also through M&A.

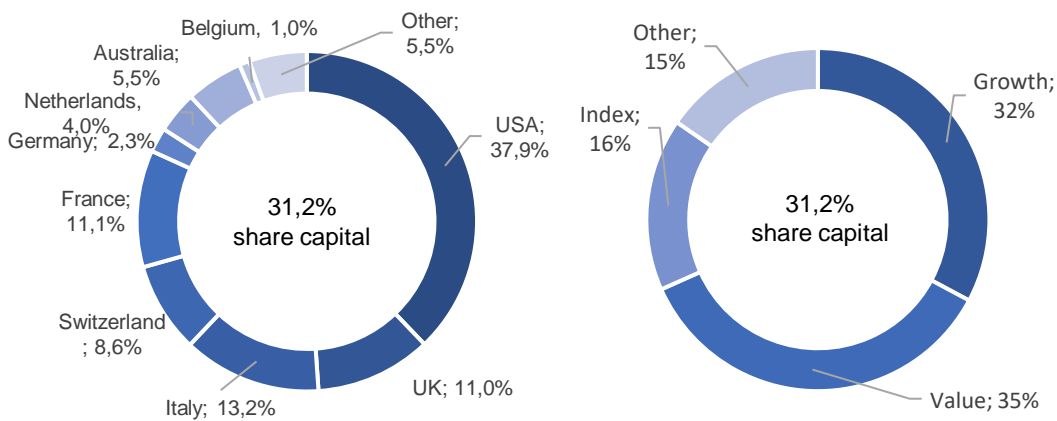
There were **377 contacts in 2023** including the launch of new relations with professional investors which have an investment style consistent with the Group’s share profile. Management has participated in theme-based and sustainability conferences, meeting with investors who combine ESG aspects with financial assessments and now account for approximately 30% of total assets under management globally.

Institutional shareholding

The **diversification of the institutional investors** between the shareholders of the company is an important factor for facilitating an on-going evolution of the shareholding structure and a balance of the listed prices of the stock over time.

As the following diagrams show, Hera presents a balanced geographic and investment style diversification of the professional investors, benefiting the resilience and low volatility of the stock.

INVESTMENT FUNDS BY GEOGRAPHICAL AREA AND INVESTMENT STYLE AT 31 DECEMBER 2023



In the graph on the left, the item Other includes: Austria, Canada, Hong Kong, Ireland, Liechtenstein, Luxembourg, Portugal, South Korea, Spain, Taiwan. In the graph on the right the item Growth refers to investors looking for companies that are likely to grow at a higher rate than the market and competitors or companies operating in sectors with high current or potential growth; Value, to investors looking for companies whose market price is discounted compared to their intrinsic value or companies that trade at low valuation multiples; Index, to investors using passive investment strategies, structuring portfolios in imitation of benchmark indices and following their performance. The item Other includes: hedge funds (investors who use investment strategies with the intention of maximising the return on investment in any market situation), long/short (they undertake investment strategies to exploit the return differential between financial instruments), momentum (they use quantitative investment strategies that seek to exploit trends in financial instruments), sector specific and specialty (they invest only in particular equity sectors (e.g. financial, utility, industrial sectors), yield (look for companies that provide the highest return from dividend distribution).
 Source: Refinitiv and dividend Shareholders book

The Hera stock is included in the FTSE Mib, FTSE All Share and FTSE Italia Servizi Pubblici of Borsa Italiana **share indices**.

The last Shareholders' Meeting authorised the exercise of a plan for the repurchase of treasury shares for a maximum of 60 million shares (equal to 4% of the share capital) for the purpose of creating value for the shareholders, contributing to the liquidity of the trading, avoiding anomalous fluctuations with respect to the benchmark and serving M&A transactions with the intention of counter-diluting the shareholders.

Corporate Governance and safeguards for shareholders

Since its establishment, the Group has adopted a Corporate Governance system based on the traditional model, with a Board of Directors made up of **executive and independent directors**, which ensures, in line with the company mission, the **protection of the shareholders, the return on invested capital and satisfying** stakeholders' interests.

Hera's activities are handled by management in accordance **with the Code of Ethics** adopted by the Group and are in line with the Code of Conduct furthered by Borsa Italiana Spa.

Hera's management body has always been heedful of aspects of good governance and protection of the interests of the shareholder: any change to its structure which meets these objectives is promptly adopted without delay.

With this intention, in 2020 **the minimum threshold for electing the less-represented gender** on the Board of Directors was raised to 40% (from 33%), immediately accepted with the renewal of the officers of the Shareholders' Meeting on 29 April 2020.

Similarly, in 2015 the **loyalty vote was established**, an instrument which makes it possible to assign up to two votes for each share held by the same shareholder for a period of at least 24 months. Shareholders who demonstrate - with the stability of their investment - a greater sensitivity to the long-term growth of the Group and to the active participation in the appointment of the Shareholders' representatives, are thus rewarded.

During the same meeting which established the loyalty vote, the shareholders also approved the increase from three to four of the number of board directors appointed from the lists presented by the minorities: this innovation proposes to attract greater participation of private capital in the choice of the Group's strategies. Furthermore, to encourage greater participation of the minority shareholders, the percentage of share capital required to present a list for the election of the Board of Statutory Auditors has been reduced from 3% to 1%, as already envisaged for the election of the Board of Directors.

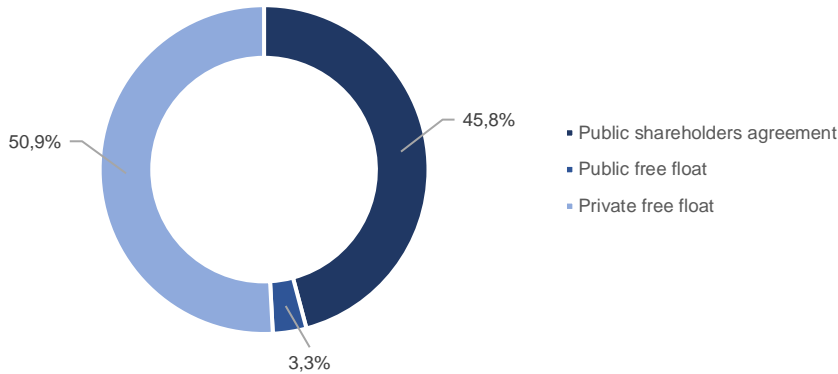
Composition of the shareholding structure

[2-1]

Hera's background particularly stands out: the Group is considered to be one of the main interpreters of the sector consolidation process with a combination model which has involved approximately 52 utility companies **since 2002**, ensuring approximately 40% of the growth of the results in the last 21 years. The merger operations were financed mainly by issuing new shares and have almost **doubled the overall number of shares representing the share capital**: from 789 million in 2002 they became 1,490 million at the end of 2023. These operations did not have diluting effects for the shareholders, as evidenced by the annual average growth of the earnings per share of around +9%. Value was created also thanks to the extraction of synergies and the increased economies of scale. The Group's capitalisation thus reached almost 4.4 billion euro (compared to 1 billion euro in 2003) on average in 2023, i.e. an average annual growth of +8% in line with the growth in earnings per share.

The expansion of the shareholding structure maintained a **constant balance between the public and private components** and extended the diversification of the shareholders both in terms of number and geographic origin.

SHAREHOLDING BREAKDOWN AT 31 DECEMBER 2023



Hera green bonds

Green bonds are debt securities issued for the financing of projects and activities that have a positive impact from an environmental point of view. The first financial instrument of this type was issued by the World Bank in 2008. This type of instrument has seen constant growth over time but suffered a decline in around 2022 due to the rise in ECB and FED interest rates, inflation and geopolitical tensions. Current trends show, however, that there has been a revival in market interest in ESG-related debt instruments, which are largely represented by Green Bonds, which have reached a record high of almost 600 billion in issues in just one year.

In 2023, the share of sustainable bonds issued by HERA S.p.A. of the total bonds in circulation was 57%, an increase of 8 percentage points compared to 2022 (share of 49%). The 2023 share grew as a result of the new issue of the Sustainability-Linked Bond made in April.

Green bonds 2014-2024

In 2014, the Hera Group was the **first in Italy to launch green bonds**, paving the way for other operators in the utility sector and other sectors. With the first green bond, 26 projects belonging to the categories indicated in the table below were financed or refinanced totalling 500 million euro. The Hera Group consolidated its sustainable strategy with the issuance of two more green bonds in 2019 and in 2022 with the **first green bond aligned with the European Taxonomy**.

Green bonds 2019-2027

In 2019, five years after the issue of the first green bond in Italy, **Hera launched its second green bond worth 500 million euro**. The financial instrument was presented by means of a roadshow in the main European markets, to illustrate to investors and analysts the allocation of resources in environmental sustainability projects in the fields of environment, water and energy. The operation enjoyed a significant participation by international investors (France, Germany, Great Britain, the Netherlands), who were largely focused on the environmental and social performance of companies.

The funds raised were used to finance or refinance numerous projects, already launched or planned in the Group business plan, which pursue one or more of the objectives of the 2030 UN Agenda:

- **energy efficiency** (SDGs 7 and 13): installation of innovative electronic gas and electricity meters (NexMeters), development of district heating networks, public lighting projects;
- **circular economy and sustainable waste management** (SDG 12): innovative projects in waste collection systems, extension of the quantity-based tariff, construction of facilities and infrastructures for recycling and energy recovery (including biomethane production);
- **sustainable management of the water service** (SDGs 6 and 14): sustainable wastewater management infrastructures, sewage and mains water infrastructure projects for resilience and adaptation to climate change.

These projects were defined on the basis of precise environmental criteria, described within the **Green financing framework**, published by Hera in June 2019 and verified by ISS ESG, to guarantee that funds are properly allocated. The environmental benefit produced by the projects was quantified using 11 performance indicators that are accounted for annually in the sustainability report, included in the GRI content index and, therefore, subject to external auditing.

USE OF FUNDS RECEIVED WITH THE GREEN BOND 2019-2027

Area	Total collection (mn Euro)	% of total
Sustainable management of the water service	188.4	37.7%
Circular economy and sustainable waste management	188.6	37.7%
Energy efficiency and gas infrastructures	45.9	9.2%
Energy efficiency and electricity, district heating and public lighting infrastructure.	77.1	15.4%
Total	500.0	100%

The definition of the funded projects was validated by a “Second Party Opinion”, drawn up by ISS-Oekom, which ranked Hera “Prime” in terms of ESG performance (sixth in a panel of 43 global companies) and highlighted its particular excellence in the water sector.

Green bond report 2022-2029

In 2022, Hera updated its 2019 **Green financing framework (Gff)** by bringing it in line with the principles of the European Taxonomy and market best practices. The net proceeds obtained were used to finance projects in the three categories listed below. The **updated Gff** has thus become a policy document defining the categories of “green projects” in line with the European Taxonomy that can be financed through a green bond, the process and criteria for selecting “green projects” aligned with the European Taxonomy and the procedure for managing the funding received and the commitments in terms of reporting and external auditing.

Hera’s GFF aims to finance **16 eligible economic activities** in line with the European Taxonomy, within the three categories outlined above.

“**Green projects**” indicate all projects that move towards achieving the **six environmental goals** defined by the European Taxonomy:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition towards a circular economy;
- pollution prevention and reduction;
- protection and restoration of biodiversity and ecosystems.

Following the updates made to the GFF, Hera issued the **first Green Bond aligned with the European Taxonomy** and thus became **the first European multiutility to issue this type of bond** certified by the external firm Sustainalytics. As of 2023, the Group’s operating investments that have been found to be aligned with the European Taxonomy are 55 percent, with the goal of reaching 59 percent by 2027.

Sustainalytics, a leading independent sustainable research and rating company, certified that Hera’s framework is in line with the technical criteria of the European Taxonomy for the corresponding 16 economic activities and in line with the 2021 Green bond and Green loan principles.

The funds collected are being used to finance or refinance numerous projects, already launched or foreseen in the Group business plan to 2027, selected on the basis of the Gff, which pursue one or more of the goals of the 2030 UN Agenda, or Sustainable Development Goals (SDGs), divided into 3 areas:

- **energy efficiency and energy infrastructures** (SDGs 7, 11 and 13): installation of innovative electronic gas and electricity meters, development of district heating networks, and public lighting projects;
- **circular economy and sustainable waste management** (SDG 11,12 and 13): innovative projects in waste collection systems, extension of the quantity-based tariff, construction of facilities and infrastructures for recycling, recovering and reusing materials as well as plants for bio/chemical waste treatment and the reuse of materials from plants that convert waste into energy;
- **sustainable management of water and wastewater** (SDGs 6, 13 and 14): through wastewater management, sewerage and water infrastructure projects for resilience and adaptation to climate change.

Following the GFF update, Hera issued the first Green Bond aligned with the European Taxonomy, becoming the first European multi-utility company to issue a bond of this type certified by the external company Sustainalytics.

The green bond provided for a 45% refinancing share for investments incurred in 2021 and a 55% financing share for investments incurred in 2022.

The environmental benefit produced by the projects was quantified using **18 performance indicators** that are accounted for in the sustainability report, included in the GRI content index and, therefore, **subject to external auditing**.

Below is the allocation of funds collected through the green bond issued in 2022 by single economic activity eligible for the EU Taxonomy.

USE OF FUNDS COLLECTED WITH THE GREEN BOND 2022-2029

Area (EU Taxonomy Activities)	Total collection (mn Euro)	Shares (%)
5.1 Construction, expansion and operation of collection, treatment and supply systems	183.5	36.7%
5.3 Construction, expansion and operation of collection and treatment of wastewater	109.0	21.8%
Total of sustainable management of water and wastewater	292.5	58.5%
3.17 Manufacture of plastic materials in primary forms	11.4	2.3%
4.13 Production of biogas and biofuels for transport and bioliquids	1.4	0.3%
5.5 Collection and transport service of non-hazardous waste in portions sorted at source	55.0	11.0%
5.7 Anaerobic digestion of organic waste	1.6	0.3%
5.8 Organic waste composting	1.1	0.2%
Total circular economy and pollution prevention and control	70.5	14.1%
4.1 Electricity generation through photovoltaic solar technology	6.0	1.2%
4.9 Electricity transmission and distribution	78.4	15.7%
4.15 District heating and cooling distribution	6.0	1.2%
4.22 Production of heat and cooling from geothermal energy	0.2	0.0%
7.3 Installation, maintenance and repair of energy efficiency devices	2.0	0.4%
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	43.0	8.6%
7.6 Installation maintenance and repair of renewable energy technologies	1.4	0.3%
Total energy efficiency and energy infrastructures	137.0	27.4%
Total	500.0	100%

Hera's Sustainability-linked bond

In October 2021, Hera published its **Sustainability-linked financing framework**, a tool that further strengthens the integration between the Group's financial strategies and sustainability emphasis, with a focus on carbon neutrality and circular economy projects.

In particular, the Group introduced **two key indicators**, in line with the strategies outlined in the Industrial Plan for the energy and environmental transition, and representative of the multi-utility's commitment to achieving the objectives of the 2030 Agenda. Specifically, the first indicator relates to the Group's **greenhouse gas emissions** (Scope 1+2+3 from electricity sales and downstream gas) while the second relates to the amount of **plastics recycled** by the Group. In both cases, the target is set for 2030 and, for the first indicator, the target was validated by the Science-Based Targets initiative (SBTi). The Hera Group aims to reduce greenhouse gas emissions by 37% in 2030 (compared to 2019) and to increase the quantities of recycled plastic by 150% (compared to 2017). For further details, see the paragraphs "Hera for the climate" and "The Hera Group's contribution to the plastics of the future" as well as the case study "Hera Group's commitment to the new plastics economy".

INDICATORS SET BY THE SUSTAINABILITY-LINKED FINANCING FRAMEWORK

	Basic year	2023	Target 2030
Reduction of CO ₂ emissions compared to 2019 emissions using the SBTi method (Scope 1+2+ from energy sales and downstream gas) (%)	11,781.3 kt (2019)	10,226.2 kt -13.8%	7,459.5 kt -36.7%
Plastic recycled by Aliplast (thousands of tonnes)	59.6 (2017)	84.6	148.9

The Scope 3 data relating to the sale of methane gas do not consider the transitory increases in volumes sold in last-resort services.

In addition, for both indicators, interim sustainability performance targets were defined that will be reported annually in the sustainability report, included in the GRI content index and, therefore, **subject to external auditing**. In 2023, Hera updated the Sustainability-Linked Financing Framework and the related intermediate targets. The new intermediate targets refer to 2026:

- Total GHG emissions decreased by 13% compared to 2019 against a projected reduction of 22.5% in 2026;
- recycled plastics increased by 42% compared to 2017 against a projected increase of 101% in 2026.

For more information on the performance of these indicators, see the sections “Hera for the climate” and “Transition towards a circular economy” respectively.

Following the publication of the Sustainability-linked financing framework, the Hera Group issued its first **Sustainability-linked bond of 500 million euro**, repayable in 12 and a half years. Hera paid investors an annual fixed-rate coupon of 1%. Starting from the interest payment date of 2032, a possible step-up (increase in the interest rate) is envisaged in the event that the company does not achieve the objectives of reducing GHG emissions measured in tonnes of CO₂ (increase in the by 0.20%) and the quantity of plastic recycled in thousands of tonnes (rate increase of 0.15%).

In 2023, Hera reconfirmed its commitment and interest in reducing its carbon footprint and increasing plastic regeneration, in line with the strategies for the energy and environmental transition outlined in our industrial plan, with the issuance of a new **Sustainability-linked bond of 600 million euro**, repayable in 10 years. An annual fixed-rate coupon of 4.25% is expected to be paid. Starting from the interest payment date of 2032, a possible step-up is envisaged in the event that the company does not achieve the objectives of 1) reducing GHG emissions measured in tonnes of CO₂ (0.30% increase) and 2) increasing the amount of plastic recycled in thousands of tonnes (0.20% increase).

Sustainalytics, one of the leading ESG rating agencies, validated and deemed ambitious the indicators, strategies and targets included in the Sustainability-linked financing framework; the agency also issued a **second party opinion** attesting to the framework’s consistency with the main international reference standards, beginning with the Sustainability-linked bond principles 2023 of the Icm (International Capital Market Association).

Sustainability-Linked Revolving Credit Facility

In May 2018 Hera signed the first “**ESG Linked RCF Facility**” which was a 200 million euro credit line introducing sustainability elements through a reward mechanism linked to the achievement of specific environmental, social and governance objectives. In the commitment undertaken with the banks, some **sustainability performance indicators** have been defined, by virtue of which the multi-utility company benefitted from more favourable rates.

The areas of the identified indicators coincide with the two drivers identified for the creation of shared value (Energy - pursuing carbon neutrality and Environment - regenerating resources and closing the loop) and these are: carbon footprint of energy production, separate waste collection rate and reduction of energy consumption.

This line was repaid in 2022, before the scheduled deadline in May 2023, in conjunction with the subscription of **several Revolving Credit Facility Sustainability-Linked lines** which refer to the KPIs and targets included in the Sustainability-Linked Financing Framework adopted by Hera in 2021 and updated in December 2023.

The Sustainability-Linked Financing Framework, which the Sustainability-Linked Revolving Credit Facility refers to, provides two **environmental indicators** and the related intermediate and long-term targets. Specifically, the first indicator relates to the Group’s greenhouse gas emissions (Scope 1+2+3 from electricity sales and downstream gas) while the second relates to the amount of plastics recycled

by the Group. In both cases, the target is set for 2030 and, for the first indicator, the target was validated by the Science-Based Targets initiative (SBTi).

In 2023, Hera signed a new **450 million euro Revolving Credit Facility Sustainability-Linked credit line** which expands the innovative financial products and instruments adopted by the company, helping to maintain its financial solidity.

5.05 Communications with our stakeholders

Communications and consultation initiatives

[2-29]

Hera's significant commitment to involving stakeholders is by now part of the operational structure of the departments that deal with relations with various stakeholders and has continued throughout 2023.

The main engagement and dialogue activities carried out with the company's stakeholders and the method used to identify the material issues that guided this activity are described in the methodological guide of this report in the section "[Stakeholders and materiality analysis](#)".

Customer satisfaction survey

Since 2005, the quality of our services has been assessed through annual customer satisfaction surveys aimed at defining improvement measures.

ASSESSMENT OF RESIDENTIAL CUSTOMERS' OVERALL SATISFACTION

CSI (from 0 to 100)	2021	2022	2023
Overall satisfaction index (CSI)	73	72	73
Overall service satisfaction index (Services CSI)	78	75	76

Data from 2020 to 2021 do not include Marche Multiservizi.

After the slight decline in 2022 (72 points), the **satisfaction index** increased again in 2023, reaching 73 points, which is above the high satisfaction threshold. The **overall level of satisfaction with services** increased to 76 points. In particular, satisfaction with all services increased (electricity: 77 points, water service 75 points, environmental services 73 points).

Satisfaction with contact channels increased again: branches, call centres, online services and apps are all rated above 78 points. Since 2023, website monitoring has been added, which stands at 76. This ensures that customers will always find competent customer assistance operators and appropriate procedures, regardless of the contact channel.

The customer **loyalty** reported by customers and word-of-mouth recommendation remain at excellent levels, 81 and 76 points respectively. Ratings for **bills** also stood at over 70 points, reaching 71 points in 2023.

SATISFIED CUSTOMERS

%	2021	2022	2023
Percentage of satisfied customers	92%	91%	93%

The percentage of satisfied customers (customers who expressed a satisfaction rating of 6 or higher) **was 93% in 2023**, up slightly from previous years.

The survey was also carried out for **business customers** in order to monitor customer satisfaction levels for both the free market and for those still in the protected market. In the case of companies, the survey involved interviewing the contact person for the services provided by Hera.

The results of the 2022 survey are reported here since the results for 2023 were being processed on the date of approval of this report.

ASSESSMENT OF BUSINESS CUSTOMER SATISFACTION

CSI (from 0 to 100)	2020	2021	2022
Overall satisfaction index (CSI)	73	72	70
Overall satisfaction index for services (Services CSI)	77	74	72

A slight decline was seen both for the **CSI** and for the **average satisfaction with the services** provided, which stood at 70 and 72 points respectively, but which still remain on the high satisfaction threshold for the fourth year in a row. The increase in energy prices and the related debate at national level influenced satisfaction levels.

Contact channels indicate excellent satisfaction from business customers, exceeding 70 points for both physical and online channels. The **loyalty** declared by customers in the free market stood at 80 points.

Methodology used for the customer satisfaction survey

The customer satisfaction survey has been carried out since 2005 by an external company and is based on an internationally recognized methodology for assessing the quality of services offered and customer satisfaction with Hera as a whole. 12,021 telephone interviews were carried out for the 2023 survey in two different periods of the year: May-June, September-October. The survey was conducted by Computer Aided Telephone Interviews (CATI) with a survey population chosen so as to ensure that the sample is representative of the customers of all of the Group's services. Monitoring was carried out by interviewing the main contact person for Hera within the household. The questionnaire, which lasts around 15 minutes, is designed to monitor the various satisfaction components and measure future behaviour (word-of-mouth, loyalty, etc.) in relation to the company. The assessments of the results are expressed in numerical scales, divided into levels of satisfaction: less than 50 points indicates insufficiency; up to 60, minimal satisfaction; between 60 and 70, a good level of satisfaction, and more than 70, a high level of satisfaction.

Since the second half of 2017, call centres, branch offices, online services and apps have been monitored through **daily interviews** conducted the day after the contact took place, in order to gain insight into the customer's satisfaction while the experience is still fresh. Around 16 thousand interviews a month are carried out using IVR (by telephone with pre-recorded questions) and CAWI (by email) methods. Thanks to the portal used for analysing customer evaluations, it has been possible to constantly improve channel performance. Around **200 thousand interviews** were carried out in 2023 **to monitor the contact channels**.

Other initiatives for dialogue with customers

Our **web portal for consumer groups** has been online since 2011: the section of the Group's corporate website is reserved specifically for representatives of the main associations operating in the local areas Hera serves, who are key contacts for the company in its relations with end customers. For associations, this web channel is an important interface with Hera. They can use it to handle reports and procedures, prevent disputes, and reduce the time needed to respond to and solve problems. In 2023, the web portal recorded **4,701 visitors** (-8.6% compared to 2022) and a total of 14,797 page views (+6.2% compared to 2022).

In addition to the portal, the contact people and members of the associations can use dedicated email addresses, and phone and fax numbers that, together with the web component, represent a genuine communication channel dedicated to consumer groups. In 2023, 612 cases were managed through this dedicated channel (compared to 529 in 2022), 100% of which were resolved successfully; average case resolution time was 4.3 business days.

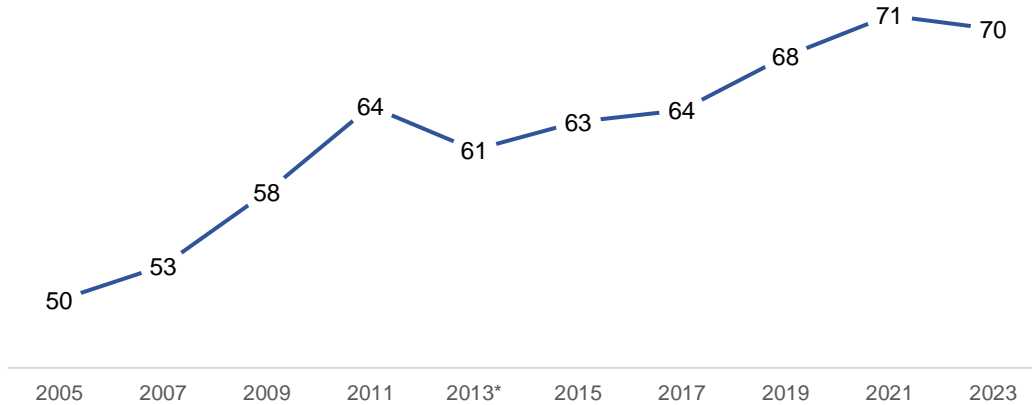
Furthermore, in order to build positive relationships and create an increasingly open dialogue, in 2023 Hera once again organised specific meetings with consumer group contact people. As in past years, periodic meetings were held dedicated to provincial and local association contact people: as in 2020, 2021 and 2022, these events were held online. A total of two meetings were held in the month of November involving a total of **22 representatives from the main consumer groups operating throughout the local areas**. During the meetings, topics of interest to the associations were addressed, including regulatory updates on the end of gas and electricity protection and transition to the free market, the performance of the leak fund, an update with respect to the bad weather emergency that hit Emilia-Romagna in May 2023, the protection system and, finally, the performance of the Channel dedicated to consumer groups.

In addition, throughout the year, ongoing discussions were held with the representatives of the main consumer groups at national and regional level. Indeed, two more meetings were held, again online, one on the bad weather emergency and the other on the District Heating bonus.

Internal climate survey and other dialogue initiatives

The first climate survey was conducted eighteen years ago, in 2005: today, with ten surveys now completed, we can confirm the soundness of the path taken by the Hera Group. The overall satisfaction score (ESI - Employee satisfaction index) **increased by more than twenty points**, and in general, the various areas investigated by the questionnaire (me, my team and manager, the company) received excellent scores.

ESI (EMPLOYEE SATISFACTION INDEX) TRENDS OVER THE YEARS



*The 2013 value was reconstructed using data from Hera, AcegasAps and Amga collected in 2013-2014. The decrease in 2013 and 2015 values is mainly due to the acquisition of AcegasApsAmga in 2014.

In particular, Hera Group’s main investments have been focused on ensuring the following: sharing of purpose, mission and values, employee safety, renewal of facilities (work spaces, canteen, equipment and devices), improvement of corporate communication, development of HR levers (training, leadership, welfare, agility, performance management, etc.).

The path of **continuously listening** to employees has supported the Group, not only in addressing and accommodating changes, but also in its ability to incorporate the different populations that have become part of the Hera Group over time by aligning and developing a shared culture.

The 2023 survey involved all 9,237 people in the Group. **91% of the population** responded (8,399 people).

The ESI, the main employee satisfaction indicator, continued to show a positive score in all Group areas: **satisfaction**, in fact, **stood at 70/100**. This data is the result of employees’ appreciation of the ability shown by the company, top management and its leadership to define processes, projects and activities that meet the changing needs of people and the market. Overall, employee satisfaction improved, reaching 72, though there was a slight decline in other areas. Younger employees (≤ 34 years old), as well as those over 50, had the highest satisfaction rates. Satisfaction with the managers and team area also increased. An action plan for improvement will be created and implemented in 2024

The **percentage of satisfied employees** (employees who expressed a satisfaction rating of 7 or higher) was 71% in 2023 (it was 82% in 2021).

Internal communication

The **function of internal communication** is to keep Hera’s people informed and involved with respect to the Company’s projects and results, to promote meetings and initiatives for aggregation, to foster a positive working climate and to consolidate the corporate culture including topics such as inclusion.

The year 2023 was characterised by an unstable political-economic scenario and by the increasingly evident climate emergency, which in May produced extreme events such as the flooding in Emilia-Romagna, which had a huge impact on the areas served and on Hera. In this context, internal communication was particularly important to keep people connected, to support fundraising for the geographical areas and colleagues affected, and to valorise those who worked tirelessly to return to normality.

In addition, the end of Covid changed working habits and boosted digitalisation, increasing remote work and information needs based on increasingly widespread and timely digital communication. For this reason, in addition to news about inHera, numerous communication campaigns have been implemented to raise awareness and knowledge of corporate projects. These include: **“Together on the side of energy”**, featuring video interviews, answers to frequently asked questions and articles on the topic of “expensive energy”, with the aim of creating greater awareness; **“Good working”**, a video miniseries to accompany colleagues and colleagues towards good practices on online meetings and digital workplace tools; a new edition of **Hera Solidale**, which aims at stimulating solidarity towards volunteer organisations; **ecoHera** and **Her@futura**, two projects intended to update the skills of the company’s workforce; **Hextra** and the conversion of the award made with a video miniseries.

The need to communicate with and inform the corporate population in a timely manner also prompted the strengthening of digital tools, enhancing the **inHera internal portal**, which, two years after its go-live and thanks to suggestions sent in by colleagues, has been updated with new features that have made the intranet an increasingly interactive, participatory, and engaging tool. In addition, the **inHera News app** has been activated for the **“Buongiorno” newsletter**, which allows news to be received directly on Teams. Unlike e-mail, for the app it is also possible to measure how much it is being read, showing that an average of 4,000 employees read the post every day.

The Group’s audio newsletter was inaugurated in 2023, in podcast format: two weekly podcasts, released on Friday mornings, to talk about the week’s main internal news (HO in 3 minutes) and to take stock of the weekly press review related to the scenario of our businesses (The Press in 3 minutes).

Once again concerning the enhancement of digital tools, 2023 saw the birth and consolidation of several communities on **Viva Engage**, such as the one dedicated to aggregation events.

2023 was also the year of a change in top management, with Executive Chairman Tommasi, who had been at Hera since the company’s establishment, leaving the helm to Cristian Fabbri, previously the Central Market Director. For this reason, a series of “Let’s take stock” meetings were organised, aimed intended for the entire company population, to update coworkers on the company, bid farewell to the Chairman and review Hera’s 20 years of history with him.

As far as events are concerned, the thank-you meeting for the people at Hera who worked to return to normality after the floods must be mentioned. The meeting, which took place on 10 July, involved about 300 people and, for the occasion, a video was shown on what happened during and immediately after the flood, as well as 8 video interviews (featuring 13 people who recounted their contribution during the emergency), to valorise the people involved.

The issues championed by **Diversity management** were also emphasized through articles, videos, and the implementation of in-person events targeting employees. In particular, 2023 saw the birth of the project on inclusive language: a two-year project to review internal communication tools and produce guidelines on the use of inclusive language. About 100 people were involved in 2023, with focus groups and interviews, to enhance the company’s sensitivity on these issues.

At the same time, all the routine internal communication activities continued:

- **210** paper HO articles;
- **387** digital HO articles;
- **105** morning “Buongiorno” communications;
- **15** communication campaigns (Digital workplace, smart working, development process, Hextra, cybersecurity, “insieme dalla parte dell’energia”, 20-year anniversary celebrations, etc.);
- **80** videos;
- **45** Group audio newsletters;
- **11 events.**

Relations with the local community

HeraLAB, a tool for listening to local communities
[413-1]

HeraLABs are multi-stakeholder boards that the Hera Group set up in 2013, in seven areas of Emilia-Romagna. The primary objective of these participatory processes is to provide a structured channel for listening and dialogue with local communities in the areas where Hera provides its services.

The 2023 HeraLABs focused on the topic of **carbon neutrality**. This choice of topic was shared with the Departments most impacted by the work of the LAB before the start of the third edition.

Modena and **Imola** were chosen as the two areas to launch the laboratories in, since they are the Group’s energy capitals in Emilia-Romagna.

After the appointment of the 28 participants of the multi-stakeholder boards of Modena and Imola, which took place during the Board of Directors meeting in December 2022, preparatory meetings were held in preparation for the planning of the meetings aimed at exploring the most relevant topics for the two LABs,

in the fields of **energy efficiency, renewable energy and renewable energy communities (CER)**.

At the **first meeting** (3 April in Modena; 20 April in Imola), the participants exchanged ideas thanks to a productive and constructive dialogue which some Hera managers and heads also took part in. Hera's skills and activities in each of the three areas of carbon neutrality were described.

The **second meeting** (22 June in Modena and 26 June in Imola) was organised into three theme-based round tables. Under the guidance of some Hera managers and with the help of facilitators, areas of potential collaboration between the company and its stakeholders were identified. Participants selected one or two areas of potential collaboration or of particular interest to stakeholders and produced a SWOT analysis. The justification behind these analyses and the subjects for debate that emerged formed the starting point for the next phase of the work, i.e. Hera's evaluation of the interest, opportunities and actual feasibility of some of these projects and potential collaborations. The study and analysis of these aspects have the potential to allow us to identify areas of work that can be brought to life with actual future projects.

During the LAB meetings, **eight areas of potential collaboration** were shared:

- Energy efficiency incentives and opportunities for businesses;
- Network enhancement plans to support electrification (LAB Modena only);
- Photovoltaic self-consumption, an opportunity for businesses (LAB Modena only);
- Off-site photovoltaic opportunities (PPA – LAB Modena only);
- Energy Park;
- CER applied to condominiums;
- Cooperative model applied to CERS (LAB Modena only);
- CER in production area/similar (LAB Imola only).

In addition, some projects continued in 2023 for the implementation of the initiatives of the 2021 edition of the HeraLAB Modena and Forlì Cesena, and in some cases were completed.

With regard to the initiatives promoted by the **Modena LAB**:

- **Environmental transition in the agri-food supply chain.** The project is aimed at facilitating an investigation of the agri-food supply chain to identify the main processes into which environmental transition initiatives can be most effectively inserted. The results of the study should encourage the application of virtuous measures throughout the supply chain (industrial production, distribution and sales, catering). Thanks to the coordination of the University of Modena and Reggio Emilia's Department of Economics and in collaboration with the area's economic associations, a questionnaire was developed and was sent to approximately 100 Modena companies in the sector from June 2023 onwards. The results of the study will be released by the first half of 2024. The project is complete (2023).
- **"Le vie dell'acqua"**. This initiative aims to complement the historical-naturalistic trails in the Modena area ("la via Romea/Nonantolana" pilot project) by telling the "story" of the water that flows under them. Public drinking fountains will be installed along the route, which will function as strategic points for anchoring various communicational initiatives, supported by the Aquologo app as well. A memorandum of understanding has been signed by 15 municipalities in the Modena area and the fountains will be installed by Hera by May 2024.
- **"Il tutor energetico"**. This initiative is aimed at setting up structured channels dedicated to training staff at third-sector help desks to raise awareness about the possibility of accessing bonuses and all the benefits implemented by Hera and others to curb energy poverty and payment delinquency. The project started with the signing of the first two protocols with the "social stores" run by the "terre estensi" voluntary services centre (seven from Modena and two from Ferrara) and Caritas of Pavullo, and the first 40 volunteers were trained. Activities are underway to renew the protocol in 2024, and it will also be extended to other entities operating in the Third Sector.

The local initiatives plan for **Forlì-Cesena** includes the following:

- **"Green" hotels.** With this project we aim to identify the most effective ways (trademark, brand or protocol) to bring together and characterise the hotel facilities in Cesenatico using a green/environmentally friendly approach. The project was publicly presented on 26 January 2023 in Cesenatico where a memorandum of understanding was signed among the Municipality of Cesenatico, Federalberghi ADAC and the Hera Group to begin presenting the project. The Green Hotels project was rolled out experimentally in summer 2023 with the involvement of a first group of 22 structures. The project will also continue in 2024.
- **Ecological transition in the San Mauro Pascoli footwear district.** In collaboration with public administrations, companies, trade associations and universities, a study will be sponsored in the San Mauro Pascoli (FC) district to learn about the various types of production waste in the footwear supply chain and understand how companies manage them. This study is designed to identify potential processes where circularity initiatives can be applied. In 2022, a scientific

research grant was funded at CIRI FRAME (Interdepartmental Centre for Industrial Research on Renewable Sources, the Environment, Sea and Energy) - Rimini Polo Technopole aimed at collaborating to study the possible use of circular economy initiatives in the footwear district. This initiative is part of already ongoing activities and aims to broaden and further explore the research areas involved. The project was completed and the results were presented in December 2023 during a public conference organised by CERCAL (International Footwear School and Research Centre).

At 31 December 2023, a total of **126 meetings (equal to around 3,000 hours of listening)** had been organised as part of the HeraLAB project. The community involved in HeraLAB over the years consists of **144 members**, and the total number of projects approved during the workshops' activities stands at 78, 60 of which have already been implemented. In addition to providing continuity in listening to and engaging stakeholders on the topic of carbon neutrality, the Group aims to launch HeraLABs in two additional territories in 2024.

Nine years after the start of the HeraLAB project and before implementing the third edition, an assessment was conducted, following which, the **guidelines for the new edition of the LABORatory** were developed in 2022.

As set forth in the HeraLAB regulations, appointment as LAB member and attendance to the LABs are **free of charge**.

Hera has chosen to provide an attendance allocation for each meeting, set at 100 euro per participant for the first edition of the project and since increased to 200 euro. The accumulated attendance allocations go into an annual fund that the LAB uses every year to support sustainability initiatives and projects promoted by local public bodies or non-profit organisations identified by the LAB. Since the start of the HeraLAB project at the end of December 2023, 134,200 euro in attendance allocations have been donated to 26 public and non-profit organizations in the areas where HeraLAB operates.

Associations in which Hera participates

[2-28]

The Hera Group is active in the highest levels of the organisations representing the **system of local public services**, first and foremost Utilitalia. Hera participates actively in the association's activities and supports its institutional communication through the identification of its representative in the various round tables set up with regulators by the associations. At the local level, Hera takes an active part in Confservizi Emilia-Romagna and Confservizi Tuscany and Confservizi Veneto (the regional association for the companies, firms and public and private bodies managing local public services in their reference area), as well as Confindustria, Unindustria and Apindustria in many of the local areas it serves.

In the **energy field**, the Group is also a member of AIRU (Italian Urban Heating Association), RENAEL (National Network of Local Energy Agencies), FIRE (Italian Federations for the Rational Use of Energy), OPG (Open Power Grid Association), Assorisorse (Natural Resources and Sustainable Energy Association) APCE (Association for the Protection of Electrolytic Corrosion); UNI (Italian Standards Body); CTI (Italian Thermotechnical Committee) and participates in the work of CIG (Italian Gas Council). In the European arena, it participates in the ECC (European Cooperation Council), particularly on issues related to energy transition.

In the **waste management sector**, the Group also participates in the national association Fise Assoambiente and Eurits, the European association for hazardous waste. Also in Europe, it participates in the Rdf Industry Group, which brings together organizations from across the waste-derived fuel supply chain. It also participates in the CONIP and CIC supply chain consortia, as well as in Unichim (the Association for Unification in the Chemical Industry).

The Group also contributes to **research activities** in the utilities sector carried out by leading institutions, either as a commissioning party for specific research or by participating in the scientific debates fostered by such research projects with contributions published in the proceedings: Agici Corporate Finance, Fitchner, Ref Ricerche and e Ambrosetti Club.

With reference to **corporate social responsibility and sustainability**, Hera is also a member of the Asphi Foundation (promotion and integration of disabled people through the use of Information and Communication Technology), Impronta Etica (business association for the promotion of social responsibility); it has also joined the Ellen MacArthur Foundation and the Circular Economy Network (to support and promote the development of the circular economy), the CSR Manager Network (for sustainability issues), the Aspen Institute (an international non-profit organisation aiming to internationalise entrepreneurial leadership and the discussion on major contemporary issues), the Association of Modena Companies for Corporate Social Responsibility, the Rubes Triva Foundation (for training and promotion of workplace safety in environmental hygiene companies) and finally the Global Compact Network Foundation (for the promotion of the culture of corporate citizenship).

[415-1] In 2023 as well, consistent with the provisions defined in its Code of Ethics and Group Protocol 231, the Hera Group **did not make contributions of any kind to political parties or politicians.**

CONTRIBUTIONS TO POLITICAL PARTIES AND TRADE ASSOCIATIONS

thousand euro	2021	2022	2023
Politicians and political parties	0	0	0
Trade associations	1,284	1,276	1,522
Other associations/organizations (promotion and dissemination of sustainability, industry/sector-specific research and studies)	178	176	286
Other contributions	0	0	0
Total	1,462	1,452	1,808

The main contributions made in 2023 included around 1.6 euro to sector associations and over 286 thousand euro to associations involved in sustainability and research. The first category mainly includes Utilitalia (686,879 euro) and Confservizi Emilia-Romagna (184,500 euro), while the largest single contribution given to the second category was to the Ellen MacArthur Foundation (40,919 euro).

Pending legal proceedings

[2-27] In addition to the disputes involving customers and suppliers which are discussed in the corresponding sections of this report, at the end of 2023, an additional **626 disputes** were pending, mainly concerning disconnections of gas supplies to late-paying end customers who, having signed contracts with salespeople for the redelivery points on the distribution network managed by Inrete, were subject to administrative termination as governed by ARERA legislation (specifically the Consolidated Law on gas delinquency). The remaining disputes refer to highly varied types of issues regarding claims for damages associated with the management of the services performed by Hera or Group companies. During 2023, 1,027 disputes were settled, of which: 264 were with energy customers, 25 with water service customers, 19 with environmental services customers, six with suppliers, and the remaining 708 disputes were with other types of stakeholders of the company.

In 2023, **69 warnings** were received which mainly concerned disputes detected by the monitoring bodies and refer to violations of the provisions of Legislative Decree no. 152/2006 (Consolidated Environmental Act) mainly relating to the integrated water service and in particular the failure to comply with the provisions contained in the relevant authorisation documents. After receiving these communications, Hera complied with all the obligations prescribed by the controlling bodies.

With regard to the networks and plants managed by the Group, the following litigation proceedings brought by associations, residents and/or other parties/authorities are to be noted:

Odorous and noisy emissions

Of note is the notification in July 2017 of the decree that ordered the committal to trial of two Herambiente Spa managers, who the Rimini Public Prosecutor's Office charged, in particular, with odorous and noisy emissions from the Rimini recovery and storage plant that allegedly caused a disturbance to neighbouring property owners. At the first hearing scheduled for 28 November 2017, a local committee was set up as plaintiff for damages. On 30 November 2021, the Rimini Court declared that one of the two employees was not to be prosecuted and ordered the other to pay damages to the plaintiff as well as a fine. The relevant ruling was appealed before the Court of Cassation. Following the appeal, the first instance ruling was set aside and the offences were declared dismissed.

Economic and financial plan appeals

All the appeals proposed by the Municipalities in past years regarding economic and financial plans have been rejected by the Regional Administrative Court of Emilia-Romagna or settled out of court, with the exception of:

- appeal brought by the City of Imola for the Economic and Financial Plans through the year 2022;
- appeal lodged by the Municipality of Castelguelfo against ATERSIR, relating to the 2019-2022 economic and financial plans.

Both appeals were partially accepted by the Regional Administrative Court of Emilia-Romagna. ATERSIR challenged both measures before the Council of State, which suspended their enforcement as a precaution. Appeal proceedings are ongoing.

Finale Emilia (MO) landfill

On 10 December 2019, the Judge of Preliminary Investigations of Modena placed under preventive seizure a segment of the special and urban waste landfill in Finale Emilia. Two former officials of Feronia Srl are under investigation for aiding and abetting in the approval of the Integrated Environmental Permit renewal for the landfill despite its having exceeded the maximum capacity under the Permit and despite CTC (Contamination Threshold Concentration) parameters having been exceeded at the same landfill, as well as for environmental pollution, while the company is charged with an administrative infraction in connection with the same offences. The Court of Cassation rejected the appeal filed by Feronia Srl against the order confirming the preventive seizure issued by the Court of Appeals. The company subsequently filed a petition to revoke the preventive seizure of the landfill, which was rejected by the Modena Preliminary Hearing Judge. Against this latest denial order, in May 2022, the company appealed before the Modena Court of Appeals. In an order dated 26 September 2022, the latter ordered the revocation of the preventive seizure of the landfill in light of the outcomes of the local authorities planning conference, which concluded that the exceedance of CSC levels in the landfill complex were not related to contamination from the landfill. The order was challenged by the Public Prosecutor before the Court of Cassation which declared the Public Ministry's appeal inadmissible. The release order is therefore final.

On the merits of the case, at the hearing held on 29 April 2022, the defendants were remanded for trial. The proceedings are currently at pleading phase.

Serravalle Pistoiese landfill

Herambiente Spa (as the successor entity to Pistoia Ambiente Srl as of March 2020) and two former officials of Pistoia Ambiente were served subpoenas in connection with the fire that occurred at the "Cassero" landfill on 4 July 2016. The proceedings are currently in the hearing stage.

In 2023, the following new litigation initiated against the Group should be noted:

- Some residents near the Tremonti landfill appealed to the President of the Republic against the Emilia-Romagna Region, ARPAE and against Herambiente to strike out (after suspending enforceability) resolution no.1100 of 26 June 2023 of the Regional Council of Emilia-Romagna with which the EIA (environmental impact assessment) measure was adopted containing the reasoned decision to conclude the local authorities planning conference which includes the qualifications required for the performance and operation of the "Expansion of the Tre Monti landfill: raising of the 3rd lot in the Municipality of Imola (BO)" submitted by CON.AMI and Herambiente S.p.A. Herambiente opposed the appeal.
- The Municipality of Finale Emilia filed an appeal before the Regional Administrative Court of Emilia-Romagna against ARAPE and against Feronia S.r.l. to set aside ARPAE's managerial decision no. DET-AMB-2023-2553 of 18 May 2023 concerning "Art. 240,244 and 245 of Legislative Decree no. 152/06, Remediation of Contaminated Sites. Company "Feronia S.r.l." – Landfill plant for non-hazardous special waste located in the municipality of Finale Emilia (MO), via Canaletto Via Rovere 18/A." whereby ARPAE assumed, for certain parameters, the new contamination threshold concentrations (CSC), which were equal to the background values. The hearing is scheduled for 05 June 2024.

Relations with public administrations

Relations with Local Authorities

The Central Strategy, Regulation and Local Authorities Department continuously and effectively oversees **the relationship with shareholder municipalities and local authorities** through the role of Area Managers, with particular reference to the Emilia-Romagna region, ensuring the right level of attention to the local area for a Group who operations bring it to interact with local areas and communities, with a view to continuous industrial and organizational growth. All the Local Authorities served are thus provided with a direct and constantly accessible contact person from whom to obtain answers to questions and problems related to the services provided by the Group, guaranteeing that they are always in contact with the right people and can obtain the necessary feedback within a reasonable timeframe.

The effects of the energy crisis on local communities were given more focus in 2023, since it has also led to an acceleration of the transition process at a local level thanks to production from renewable energy and an increase in energy efficiency initiatives. As a result, specific monitoring of the actions underway in the areas requiring progressive decarbonisation has been initiated. Furthermore, area managers have also continued to support the development of HeraLABs, fostering the necessary coordination between relations with Local Authorities and with other stakeholders in the area.

It should be noted that, in relations with Local Authorities as well, 2023 was marked by the emergency experienced in Romagna. In fact, throughout the year and specifically at the time of the flood, the Area Managers oversaw a series of one-off dialogue activities with the area with the aim of facilitating institutional and operational relations with the local areas most affected. This activity mainly involved: environmental services, engaged to clear waste from flooded areas; water and energy network services, to restore functionality; but it also involved more institutional areas of dialogue to encourage, together with Local Authorities, the correct implementation by users of the government provisions to support recovery which were conveyed through public service concessionaire, including the Hera Group.

In terms of quantity, **around four thousand relationships were monitored with local stakeholders in 2023**. In terms of quality, in 2023 the relationships mainly concerned environmental services (33%), which, due to the launch of the new concessions, continued to require a large number of one-time meetings with individual municipal administrations. These were followed by the integrated water service (32%), other network services (9%), the market area (10%) and business topics of general interest (9%).

Relations with the Italian regulatory and supervisory authorities

[2-27]
[417-2]
[417-3]

The Italian regulatory authorities that mainly impact the Group's management and activities are the **Regulatory Authority for Energy, Networks and the Environment (ARERA)**, and the Italian Antitrust Authority (AGCM).

With reference to Arera, the Group companies did not receive any significant fines in 2023.

On 13 December 2022, **AGCM** launched seven investigations with the adoption of seven precautionary measures against major operators, including Hera Comm Spa, for **alleged unlawful unilateral changes** in the supply price of electricity and natural gas.

The preliminary investigation and precautionary measure originated from AGCM's interpretation of Art. 3 of Legislative Decree 115/2022 (known as Aiuti bis), according to which even renewals of expired economic conditions would be prohibited from 1 September 2022 to 30 April 2023 (a period later extended to 30 June 2023).

Hera Comm Spa has not communicated or applied to customers (households, micro-enterprises) any unilateral changes in the economic conditions in force, or proposals for the renegotiation of economic conditions; nor has Hera Comm Spa terminated or threatened to terminate contracts with its customers (households, micro-enterprises) due to excessive unforeseen costs.

Hera Comm Spa only proceeded to renew the economic conditions as they expired. More precisely, in the case of economic conditions with contractually predetermined validity, Hera Comm Spa has provided for a renewal mechanism that involves notifying the customer of the new economic conditions (to be applied upon the expiration of the previous ones) under the same economic conditions as before, with the customer remaining free to accept or reject the new conditions.

Hera Comm Spa appealed AGCM's precautionary measure before the **Lazio Regional Administrative Court** with a request for suspension.

Prior to the hearing set for 11 January 2023, the Council of State intervened to uphold the appeal brought by another operator. The Council of State noted, consistent with the interpretation of the rule made by Hera Comm Spa, that the "Aiuti bis" Decree "refers only to the ius variandi for contracts that have not expired and not to contract renewals resulting from expiration dates agreed upon by the parties...".

On the basis of the statements made by Hera Comm Spa in the defense briefs submitted as part of the proceedings and the intervening order by the Council of State, on 30 December 2022 the AGCM ordered the revocation of the measure challenged by Hera Comm Spa, while for other operators the precautionary measures were partially confirmed.

Therefore, with regard to the interlocutory appeal brought by Hera Comm, the matter in dispute has been dropped.

Note that the so-called "Decreto Proroghe" (Legislative Decree 29 December 2022 no. 198) confirmed the interpretation made by Hera Comm Spa with reference to Art. 3 of the "Aiuti bis" Decree, expressly stipulating in paragraph 8 of Art. 11 that the prohibition on unilateral contract amendments does not apply to contract clauses "that allow the supplier company... to update the contract terms upon the expiry of the contract terms".

With its measure passed on 12 September 2023, the AGCM then accepted the obligations submitted by Hera Comm Spa in May 2023, closing the main preliminary investigation proceedings without finding any infringement.

Penalties imposed on the Group
 [2-27]
 [417-2]
 [417-3]

With regard to the most significant penalties imposed in recent years, note that:

- With reference to the penalty of approximately 1.9 million euro imposed by the Italian Antitrust Authority (hereinafter AGCM) on Hera and Herambiente for allegedly **abusing their dominant position** by directly granting to the Akron Group company (later merged into Herambiente) the cellulosic waste from urban sorted waste collection service that had been withdrawn from the “Comieco Consortium system” in the years 2011, 2012 and 2013, the Lazio Regional Administrative Court upheld Hera and Herambiente’s appeal and consequently annulled the penalty imposed by AGCM. Essentially, the Lazio Regional Administrative Court stated that AGCM “did not carry out the required preliminary ‘contextualisation’ of the market and potential competition applicable at the time of the events, from the point of view of the actual distortions of competition”. This is because “at the time there was not a fully liberalised and competitive market for the recovery of cellulosic waste from municipal sorted waste collection, since sector legislation at that time outlined an area of public service over which a monopoly could be granted following a tendering procedure for the market which could include the recovery phase, but this was not compulsory”, reads the ruling. Hera, therefore, as operator for the relevant public service, had to ensure - for reasons of public sanitation, health and environmental protection - the continuity, safety and efficiency of the entire waste cycle, including the final recovery phase. In the case in question, as pointed out by the Regional Administrative Court, AGCM did not examine Hera S.p.A.’s position as a public service operator but, taking the local reference market for granted, simply asserted that the contested lack of competition had taken place because Hera had failed to implement any competitive procedures to select a party entrusted with the recovery phase and thus to put the intra-group operator Akron in competition with third parties. According to the Regional Administrative Court of Lazio, Hera S.p.A. and Herambiente S.p.A. provided solid evidence that entrusting the intra-group company with the recovery phase - yet exercising a higher-level control (of order, direction, planning, monitoring, etc.), which would be unthinkable with a third-party operator - was the only way to ensure service quality, for the benefit of the public interest in greater environmental sustainability of the waste cycle and, therefore, also for the benefit of users/consumers. The AGCM has lodged an appeal against the aforementioned rulings of the Regional Administrative Court of Lazio.

The Council of State, Section. VI in ruling no. 2114/2023 only partially accepted the AGCM’s appeal and significantly reduced the fine to approximately 300,000 euro.

- In November 2015, the **Italian Antitrust Authority (AGCM)** imposed a sanction of 366,000 thousand euro on Hera Comm for violation of the Consumer Code with regard to customer contracts. According to the opinion of the Authority, Hera Comm and other companies in the sector signed a number of supply contracts without the consumer’s explicit consent and using methods that altered the consumer’s freedom of choice because insufficient information had been given regarding the offers and nature of the contracts. Specifically, certain methods used for signing contracts through phone and sales agent channels were criticised, accused of putting pressure on customers and preventing them from making free and informed choices. During the proceedings, the companies submitted proposals for improving the procedures: for example, making the contractual documentation available to customers before binding them to the contract and making a second phone call to confirm the customer’s consent. Moreover, Hera Comm challenged the sanctioning measure before the Lazio Regional Administrative Court. The Authority Board decided “to invest the Court of Justice of the European Union with the question related to the interpretation of Art. 27, paragraph 1 bis, of the Consumer Code in relation to the Euro-unitary measures applicable to the electricity and natural gas supply sector, as already implemented by the State Council for the telecommunications sector”. The Court of Justice joined Hera Comm’s prejudicial case with other similar cases and, by order dated 14 May 2019, confirmed AGCM’s competence (instead of ARERA’s) in sanctioning the conduct covered by the proceedings pending before the Lazio Regional Administrative Court. Following an application by Hera Comm for continuation of the proceedings, the Lazio Regional Administrative Court rejected the appeal with ruling no. 9764. Hera Comm appealed against this ruling to the State Council.

With a ruling published on 1 March 2024, the State Council rejected Hera Comm’s appeal. Hera Comm had already implemented a number of operational measures to strengthen consumer protection in the proceedings opened by the AGCM.

- With reference to the sanction of December 2016 imposed by the Italian **Antitrust Authority (AGCM)** against Hera Spa for an alleged abuse of **economic dependence** consisting of the violation of the provisions set forth in Italian Legislative Decree no. 231/2002, as amended and supplemented, regarding payment terms for the supply of latest-generation meters, Hera Spa paid a total amount of 800 thousand euro. An appeal against this decision was lodged with the Regional Administrative Court of Lazio. At the date of drafting of this report, the hearing is yet to

be scheduled. An appeal was lodged against this ruling before the Council of State. At the time this report was drafted, the date of the hearing had yet to be set.

- In September 2021, due to the increase in commodity prices (both electricity and gas), **EstEnergy** launched an informational campaign aimed at customers with fixed-price contracts. The campaign aimed to reassure customers that the financial conditions would not be affected by rising prices. The Company's initiative was therefore driven by good intentions, i.e. to send direct communication to customers who, at that time, held fixed-price contracts, in order to reassure them there would be no changes to the financial conditions under their contracts. Due to an IT problem, however, the messages were also mistakenly sent to customers who had variable price contracts in place. In 2021, when it emerged that a customer who had already switched to a variable price contract had received the communication at the end of September, EstEnergy immediately stopped sending communications, as a precautionary measure. At the same time, it launched an investigation process aimed at understanding the causes of the unexpected event, defining the exact scope of customers mistakenly affected by the aforementioned communications, as well as identifying any corrective interventions to be carried out. Once the aforementioned processes were completed and the customers that mistakenly received the communication were identified, the Company immediately took action by sending specific communication to the customers in order to clarify their contractual position. Despite the fact that the incorrect communication was caused by an obvious IT problem and that EstEnergy acted promptly to stop the campaign and inform customers, the AGCM decided to impose a fine, albeit reduced, of one million euro; EstEnergy is planning to challenge the fine before the administrative court. In May 2023, 2023 EstEnergy filed an appeal at the Lazio TAR against the sanctions and the date for the respective hearing has yet to be set.

[2-27]

With regard to minor sanctions reported in 2023, administrative sanctions were imposed in an amount of approximately 154 thousand euro, mainly relating to waste management issues. These disputes, identified by the monitoring bodies, mainly refer to violations of the requirements laid down in Legislative Decree 152/2006 (Consolidated Environmental Act) and mainly concern the integrated water service with regard to plant operation, and the exceeding of the limits set out in the discharge tables. The infringements charged are of an administrative nature and usually require the filing of defence briefs by the complainant requesting withdrawal of the measures and, alternatively, the payment of a fine in accordance with the minimum amounts established by sector regulations.

Litigation proceedings brought by the Group

Details are given below on some of the litigation proceedings brought by the Group against the public administrations:

- By means of an appeal filed in 2014 before the Regional Administrative Court of Emilia-Romagna against the Emilia-Romagna Regional Authority and Atersir, Herambiente requested the cancellation of Resolution 380 of the Regional Council of the Emilia-Romagna Regional Authority dated 24 March 2014, containing "Amendments to the Regional Authority Resolution 135/13 - Provisions concerning the definition, and handling of the increase limit, of the fee for the disposal of municipal waste". Resolution 380/2014 was challenged with regard to the part where it has the effect of laying down the full deduction, from the waste disposal fee, of the revenues from incentives to generate electricity from renewable sources. The Regional Administrative Court of Emilia-Romagna rejected this appeal as well as the subsequent one (2015) filed by Herambiente, and the latter challenged the ruling before the Council of State. The Council of State, in an order issued in July 2021, combined the two proceedings, given their objective and subjective connection, partially rejected Herambiente's claims, and partially referred the case to the Constitutional Court, raising a question of constitutional legitimacy. The matter was remanded for decision by the Constitutional Court and was deemed unfounded and consequently rejected. The Council of State, in a ruling dated 8 September 2023, rejected Herambiente's appeals.
- By means of an appeal filed in 2015 before the Regional Administrative Court of Emilia-Romagna against the Emilia-Romagna Regional Authority and against Atersir, Herambiente requested the cancellation of the Emilia-Romagna Regional Authority resolution dated 27 April 2015 no. 467, concerning the criteria for determining the fee for the disposal of municipal and similar waste in accordance with Art. 16, paragraph 1, of Regional Law no. 23 of 2011. The filed appeal objected in particular to two aspects of resolution no. 467, considered illegitimate, namely:
 - the erroneous inclusion of revenue from incentives for renewable electricity generation among the amounts to deduct from expected payments;
 - the lack of specific mention of tax charges among the costs incurred by Herambiente, not recognised by the contested resolution.
 The Regional Administrative Court of Emilia-Romagna rejected this appeal as well as the previous one (2014) filed by Herambiente, and the latter challenged the ruling before the Council of State. The Council of State, in an order issued in July 2021, combined the two proceedings,

given their objective and subjective connection, partially rejected Herambiente's claims, and partially referred the case to the Constitutional Court, raising a question of constitutional legitimacy, which was deemed unfounded and therefore rejected. The Council of State, in a ruling dated 8 September 2023, rejected Herambiente's appeals.

- With separate appeals, which were then united, Herambiente challenged the following acts before the Regional Administrative Court of Molise:
 - challenge of Regional Government Decree no. 231 of 19 May 2015 which identifies as substantial variations the introduction of the CER code 19.12.12, the adjustment of the authorisation for saturation of the thermal load and the introduction of a shredder.
 - challenge of EIA regarding the plant of Pozzilli and, for additional reasons, the Integrated Authorisation.
 - challenge of Regional Council resolution no. 341 of 28 December 2015 regarding the "Regional plan for waste management. Legislative Decree 152/2006. Conclusion of the Strategic Environmental Assessment procedure. Adoption of Plan proposal."

The Regional Administrative Court of Molise did not uphold Herambiente's appeals and the latter appealed the measure before the Council of State, which, in ruling no. 2245/2023, rejected the appeal.
- Herambiente Spa filed an appeal before the Regional Administrative Court of Emilia-Romagna in which it challenged and requested the cancellation of Managerial decision no. 17621 of 30 September 2019 by way of which the Regional Government of Emilia-Romagna annulled ex officio the previous 10 August 2018 decision regarding the extension of the Environmental Impact Assessment in relation to the expansion of the landfill located in Baricella. In a ruling dated 6 July 2021, the Regional Administrative Court rejected the claims made by Herambiente Spa and the latter appealed to the Council of State. In a ruling issued on 11 May 2023, the Council of State accepted Herambiente's appeal, overruled the first instance ruling and ordered the counterparties to pay the legal costs jointly and severally.
- At the end of 2019, Hera Spa and AcegasApsAmga, as well as the other major operators, challenged before the Regional Administrative Court of Lazio the statement of the Chairman of ANAC dated 16 October 2019 containing "Instructions on the obligation to acquire the CIG (Contract Reference Number) and to pay the contribution to the Authority for cases excluded from the scope of application of the Public Contracting Code" and the statement of the President of the Authority dated 18 December 2019 containing "Instructions on the obligation to acquire the CIG, to submit the data and pay the contribution to the Authority for the special procurement regimes referred to in Part II, Title VI of the Public Contracting Code". In a ruling dated 1 December 2021, the Lazio Regional Administrative Court upheld the appeal brought by the companies and annulled the challenged measures. The same obligations were subsequently reintroduced by National Anti-Corruption Authority resolutions no. 214 of 27 April 2022 ("indication regarding the Cig acquisition obligation, payment of the contribution to the Authority for cases excluded from the scope of application of the Public Contracts Code") and no. 214 of 27 April 2022 ("indication regarding the Cig acquisition obligation, data transmission and payment of the contribution to the Authority for special procurement schemes under Part II, Title VI of the Public Contracts Code"). Against these resolutions and the measures implementing them, Hera Spa and AcegasApsAmga have again appealed to the Lazio Regional Administrative Court. The hearing is pending. In February 2024, Hera Spa and AcegasApsAmga Spa submitted, as part of the aforementioned appeal, additional grounds for the annulment of ANAC resolution no. 584/2023 containing indications regarding the obligation to acquire the Cig and to pay the contribution in favour of the authority for the cases excluded from the scope of application of the Public Contracts Code.