









8. SUPPLIERS

8.01 Objectives, performance and targets

What we said we would do	What we did	SDGs	Progress*
Qualification, selection and evaluation of suppliers			
Supplier monitoring with multifunctional teams (corporate social responsibility and safety): in 2023, carry out more than 30 audits at supplier facilities (offices and construction sites) (47 in 2022).	Monitor suppliers' corporate social responsibility towards their employees: over 40 evaluation questionnaires collected and 41 supplier audits carried out (offices and work sites) in 2023. (see p.377)	8	
Continue assigning a significant score to aspects of environmental and social sustainability in tenders using the criterion of the economically most advantageous bid.	39/100 average score given to aspects of sustainability in 2023 tenders using the criterion of the economically most advantageous bid. (see p.286) Selecting suppliers: tenders awarded adopting the most economically advantageous bid method)	8, 12	
Begin monitoring suppliers' "ESG maturity" rate, by launching the new eProcurement portal, through a dedicated questionnaire during the phase of supplier qualification	Suppliers' "ESG maturity" rate monitoring begun, including through a dedicated questionnaire during the supplier qualification phase on Hera_Pro. During the second half of the year, a response rate of more than 50% with over 2,000 suppliers mapped: 20% showed a medium-high rate of maturity (over 40% among main suppliers). (see p.278)	8, 12	
More than 10.5% of the value of procurements in 2023 with circularity criteria (10.4% in 2022), through the application of the Guidelines for Circular Procurement and the related Operational Instruction defined in 2020.	10.5%, the value of procurements in 2023 with circularity criteria. (see p.378)	8,12	
Contract management			
Analyse all accident events reported by service and work providers of the Hera Group and report on the related accident rates.	All accident events reported by service and work providers analysed: 252 accidents communicated (vs 284 in 2022) and 22.3 frequency rate (vs 22.8 in 2022).(see p.325)	8	

*  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
Qualification, selection and evaluation of suppliers	
Monitor suppliers' corporate social responsibility towards their employees: in 2024, continue to carry out systematic audits at the supplier facilities (offices and construction sites) held to be most critical.	12
Continue assigning a significant score to aspects of environmental and social sustainability in tenders using the criterion of the economically most advantageous bid.	8
Launch a "capacity building" programme to incentivise improvement in suppliers' "ESG maturity" and in technical-implementation and qualitative skills.	8,12
More than 10.5% of the value of procurements in 2024 with circularity criteria, through the application of the Guidelines for Circular Procurement and the related Operational Instruction defined in 2020.	8,12
Contract management	
Analyse all accident events reported by service and work providers of the Hera Group and report on the related accident rates.	8

8.02 Suppliers

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At the end of 2023, the number of **companies supplying the Hera Group with goods, services, professional services and works** through orders or active contracts with consumption came to 4,871 (+21% compared to 2022). Of these suppliers, 57% were qualified to supply services.

SUPPLIERS ACTIVE DURING THE YEAR BY PRODUCT CATEGORY

Number	2021	2022	2023
Goods	1,522	1,478	1,435
Services	2,615	2,579	2,781
Works	435	471	704
Total	4,043	4,034	4,871

Some suppliers may belong to more than one class and, as a result, the sum of the individual items does not correspond to the total number of Suppliers. This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.lli Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann.

The **main activities outsourced** by the Hera Group in the area of waste management services include mechanised waste collection, door-to-door waste collection, street sweeping and washing (manual or mechanised), street bin washing, and the management of sorted waste collection centres. As far as network services are concerned, Group companies mainly use external suppliers to perform highly specialised maintenance and plant engineering activities and metering service activities (readings, closings and openings, etc.). In addition, facility management (global service), commercial call centre and delivery activities are outsourced.

In terms of economic value, in 2023 the Hera Group commissioned purchases coming to **about 2 billion euro**, of which more than 33 million euro went towards purchases from other European countries and 4 million euro from non-European countries (Switzerland, Great Britain, San Marino, USA, and Canada).

The **impacts caused by the Hera Group's supply chain** mainly concern compliance with occupational health and safety standards, aspects of social sustainability and the environmental impact of outsourced activities.

Raw materials procurement

In 2023, the **natural gas** sold by the Group's sales companies was purchased entirely by Hera Trading, which in turn purchased spot gas on the main European hubs and at the virtual trading point (60% from foreign operators).

As far as the **electricity market** is concerned, 33% of sales to end customers on the free and protected markets were covered by bilateral purchases from other operators, and 67% by purchases on the exchange. The way in which electricity is traded, both in the case of exchange purchases and specifically in bilateral trading, does not allow the physical origin of the energy to be traced. For a breakdown of the **energy mix** used to generate the electricity sold by the Hera Comm group in 2023, see the paragraph "Energy transition and renewables sources".

8.03 Qualification, selection and assessment of suppliers

The **supplier qualification and evaluation system** allows for a verification of technical, economic and organisational quality requirements, as well as compliance with environmental, safety, anti-corruption and corporate social responsibility standards, and the application of the Group's Code of Ethics. From 2023, an **ESG questionnaire** was introduced to monitor the level of maturity of qualified suppliers, in order to enhance their awareness about adherence to the principles of sustainable growth oriented to respect for the environment, social sustainability and the adoption of a transparent and responsible organisation.

The vendor management and supplier qualification system

Since 2012, the **vendor management system** has provided a model for supplier self-registration and qualification. It is intended for all companies interested in freely applying to be included in the Hera Group's supplier list, for any product category. **During 2023**, the old **e-Procurement** vendor management system was replaced by the new supplier portal **Hera_Pro**. The supplier qualification and management model was therefore substantially overhauled to further enhance the technical implementation skills as well as the qualitative and sustainability capabilities of the supply chain.

The new Hera_Pro single supplier portal

Hera_Pro is a **transparent, equal and traceable** tool to qualify for and participate in tenders called by the Hera Group.

The portal is integrated and interoperable with the ANAC platforms, in order to ensure compliance with the requirements imposed by the Public Contracting Code.

Within the qualification area of the supplier portal, companies can access purchasing categories and take advantage of the following services:

- independently update the profiles in question and apply for new product groups within the accredited supplier system, if necessary;
- autonomously update their own register, as well as the schedule for qualification documents;
- check their qualification status and periodic evaluation;
- gain the opportunity to be contacted to submit economic offers;
- gain the opportunity to receive information on the assignment of a contract;
- be kept up-to-date on initiatives of economic interest to the Group

In 2023, the Hera Group negotiated **100% of its commercial transactions** on this platform, anticipating the regulatory obligations imposed on contracting authorities by the Public Contracting Code starting from 1 January 2024.

With a view to the continuous improvement and streamlining of relations with its supplier base, the new portal integrates, alongside the supplier qualification and tender management modules, a "contract management" module with the aim of further digitising interfaces with suppliers and simplify the management of information flows from the qualification phase to the executive phase of contract management. The new Hera_Pro portal makes it possible to manage also the execution phase of contracts, representing an integrated tool that ensures the progressive and complete digitalisation of the management of the entire relationship, thus providing benefits to both suppliers and corporate representatives of the Hera Group.

Indeed, through a single communication channel, the exchange of all the administrative documentation of the contracts outsourced to companies is guaranteed, including the documentation required for the authorisations of subcontracts and/or notification of subcontracts, the digital management of monitoring checklists and performance control, timely reporting and periodic reporting of events classified as accidents or near misses, as well as environmental incidents, referring to each individual contract signed with the Hera Group.

Qualified suppliers benefit from substantial documentation synergy between the different phases of the procedures (qualification, tender and contract execution) to avoid having to resubmit certificates or declarations already made in other phases of the process. Hera_Pro simplifies communications through the use of chats dedicated to the management of each contract and through an automatic notification system, warning suppliers of the approaching expiration of documents subject to a period of validity and requesting said documents to be updated.

Starting from the end of November 2023, the process was made operational solely to procurement contracts signed with individual suppliers, while during 2024 the contracts signed with multi-subject teams will also be managed in Hera_Pro, thereby also allowing the digitalisation of checklists related to the supplier surveillance process and the management of subcontracts.

The new Vendor management and supplier qualification model

With the replacement of the supplier portal, the Hera Group introduced a new Vendor management model in 2023 with the aim of managing the supplier qualification and evaluation process more effectively, while further enhancing the technical implementation skills, quality and sustainability capabilities of the supply chain.

The new model, drafted in line with specific procedures, provides for a graded qualification and monitoring process based on the criticality of the relevant product categories and the introduction of a qualification rating which takes into account criteria based on economic, financial and **ESG maturity**.

To this end, an in-depth **risk assessment** of the purchasing **categories** was conducted based on their **impact** on Hera's **business** and **end customers** as well as the principles of the Group's integrated management system, with a special focus on the relevance of **environment-safety-governance** and **corporate social responsibility**. Critical product groups were identified in order to streamline qualification and **performance monitoring processes** compared to less critical product categories.

With the aim of improving the level of reliability and quality of the supplier list, in addition to the administrative qualification, an evaluation of the technical implementation skills and reputation requirements of the economic operator was introduced, collecting information on certifications, financial soundness and ESG parameters, from which a **qualification rating arises which affects the frequency of invitations to privately negotiated tenders**.

The final result is the assignment of a predictive vendor rating through a score ranging from 0 to 100 which quantifies the possession of certain technical and economic factors, considered essential to determine the reliability of the company and therefore ensure the good performance and outcome of the contractual relationship.

The predictive vendor rating (100 points) takes into account 3 factors:

- 55 points assigned based on parameters aimed at measuring the supplier's ESG maturity level such as: possession of certifications (ISO 14001, ISO 50001, ISO 45001, SA 8000, ISO 37001, ISO 27001, and the legality rating), the preparation of the sustainability report, the possession of a governance system and a 231 supervisory body, the reduction of the accident rate, the percentage of permanent employees, and a synthetic ESG scoring;
- 40 points assigned based on an economic/financial KPI obtained from the balance sheet analysis provided by an external info-provider which measures the supplier's ability to continue its business in the short-medium term;
- 5 points assigned based on possession of ISO 9001 quality certification.

The concise ESG scoring mentioned above is developed on the basis of an optional questionnaire with a further 36 questions, which as a whole can offer a maximum of 4 predictive rating points, with particular reference to the following aspects:

- **governance:** possession of an ESG score, adoption and formalisation of sustainability policies/strategies, integration of ESG risks into the corporate risk management model, existence of a sustainability department, publication of sustainability results, supply chain monitoring and supplier selection also with reference to ESG issues, legality (anti-corruption, anti-fraud, anti-money laundering, conflict of interest, anti-competitive behaviour, IT security, adoption of a Code of Ethics).
- **social:** worker health and safety, responsible management of personnel and worker well-being (e.g. working conditions, hours and remuneration, human rights and child labour, diversity/inclusion/equal opportunities, welfare, smart working, listening channels, etc.), professional development and training, recruitment and retention of workers.
- **environment:** environmental impacts, pollution, climate change, energy saving, renewable energy sources, greenhouse gas emissions, circular economy, volumes of plastic used and waste produced, management of water resources.

In 2023, responses to the optional questionnaire were collected from over 2,000 suppliers (over 50% of qualified suppliers). Of these, **20% showed a medium-high total ESG Maturity Level** responding with at least 25% affirmative responses. As regards only the main 200 suppliers of the Group, also in this case the response rate was around 50% and over 40% of the respondents displayed a medium-high maturity.

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Among the numerous criteria identified for the qualification and selection of new suppliers, the following examples are finally confirmed for their relevance in the environmental and social areas:

- declaration of acknowledgment and acceptance of: Hera Group Code of Ethics, Model for the Prevention of Corruption; General Regulations for Quality-Safety-Environment-Energy and Social Responsibility for contracting companies and/or self-employed workers operating within the Hera Group; Quality and Sustainability Policy; Personal Data Protection Policy;
- adherence to workplace safety obligations established by Italian law;
- presence of **disadvantaged employees** in the company workforce vis-à-vis the total;
- registration in the regional register of social cooperatives;
- declaration of broad knowledge of the principles and **regulations concerning Corporate Social Responsibility standards**, and commitment to comply with the principles and requirements included therein and to participate in monitoring and verification activities carried out by the Hera Group, and to assess any corrective measures required;

- possession of the following **system certifications**: ISO 9001; ISO 14001 (or, alternatively, EMAS registration); ISO 45001; SA 8000; ISO 50001; ISO 37001 (as of 2021);
- compliance with current legislation with regard to the right to work of the people with disabilities;
- possession of a certificate of registration in the national register of environmental managers, related to the activity involved in the **product group**, where required;
- possession of registration in the list of suppliers not subject to mafia infiltration attempts (so-called white list) for suppliers belonging to the product groups falling within the scope of activities at particular risk of mafia infiltration; otherwise, presentation of a formal commitment to apply for this registration.

Moreover, supply contracts prepared by Group companies contain termination clauses in the event of non-compliance with the Code of Ethics shown by suppliers.

The Hera Group, as part of its corporate social responsibility, ensures the constant control of the **regularity of INPS/Inail contributions** at the appropriate Single Social Security Office and the Cassa Edile for all active suppliers found in the Hera Group's registry, including bodies grouped together in temporary business associations (mandatory and mandating companies), consortia and specific contractors and sub-subcontractors relating to the individual document for the purchase of services (order and/or contract).

Furthermore, after a contract is awarded, **the possession of the requirements declared in the tender** at the relevant bodies: judicial records, compliance with Law No. 68/1999 on the disabled, tax regularity, the Anti-Mafia Database and the ANAC Register are checked, involving a total of over 6,000 verifications per year.

In order to ensure company operations, and only in exceptional cases, the Group provides for the option of making exceptions to the qualification procedure.

The rotation system for suppliers invited to tenders

The qualification process of the Hera Group's suppliers, managed by the Purchasing and Procurement Department of Hera Spa, ensures that a **single list is established for trusted economic operators** qualified for the procurement of goods, services, professional services and work. Suppliers invited to negotiated procedures are periodically selected from this list.

The existence of a single record of qualified suppliers for the entire Group provides an opportunity in terms of growth for the suppliers themselves, since they are guaranteed the possibility of expanding their business relations across all the product groups for which they have requested and obtained qualification.

An automatic and traceable system based on rotation in inviting suppliers to negotiated tenders has been in place since 2017. Based on a series of parameters, including the number of invitations received, their distribution over time, their score in the performance rating and the new predictive qualification rating, this system provides further guarantees during the process of selecting and rotating suppliers, with the **utmost transparency** and in line with Hera Group guidelines.

The criterion for choosing the suppliers to invite to the tender is therefore based on three factors:

- **predictive qualification rating**: a high predictive vendor rating allows the supplier to move up the invitation ranking more quickly than a supplier with a low predictive vendor rating. A supplier will not be invited to tender if it does not reach the minimum threshold of 25 predictive rating points;
- **vendor performance rating**: suppliers in the critical range are excluded from sub-threshold invitations unless they fall within the qualified ranges, through adequate corrective actions and/or timely improvement plans. A high vendor performance rating allows the supplier to move up the invitation ranking more quickly than a supplier with an average rating;
- **rotation principle**: the rotation principle takes into account the number of invitations received from the i-th supplier in the last 5 years compared to the total number of invitations of the product category. The Invitation Index increases if the supplier has received few invitations and therefore the probability that the supplier will be invited (rotation) increases.

It should be noted that in privately negotiated tenders, in 2023 the Hera Group invited on average over **22 suppliers for each negotiation**, confirming the Group's approach based on open and transparent competition between suppliers in line with the principles of current legislation.

Management and mitigation of risks along the supply chain

At the beginning of 2023, the Hera Group, with the aim of monitoring and mitigating risk in the supply chain, such as service interruptions or a decrease in the quality of services provided by companies, implemented a tool aimed at **segmenting suppliers by risk level**. The main factors taken into account are:

- the **strategic positioning** of the supplier by outsourced volumes and criticality of the product category, impact on the business and end customer of Hera's service, principles of the Group's integrated management system (environment-safety-governance and corporate social responsibility),
- trend of **operating-financial** indicators from external info-provider,
- number, severity and type of open **non-compliances**,
- other information of an organisational/reputational nature that may adversely affect the supplier's performance (e.g.: press reports, communications from trade unions, etc.).

As a result of this analysis, a specific **Vendor Card** is periodically drawn up, which highlights the **level of reliability** and strategic positioning of each supplier, in order to identify the suppliers that are more critical than others and can influence the quality/continuity of the services provided, the operating/financial results, sustainability results, reputation and regulatory compliance of Hera Group companies.

Since April 2023, Vendor Cards relating to the **top 30 most critical suppliers** have been periodically distributed to purchasing managers and company contact persons impacted in the form of a summary report accompanied by a series of recommendations to better address the criticalities that have emerged and the actions necessary to mitigate potential risks (e.g. intensification of monitoring, specific audits, implementation of corrective actions, etc.).

A total of **roughly 250 company contact persons were involved** in 2023, who took charge of the recommendations and ensured the implementation of the suggested actions. In particular, the monitoring of aspects relating to employee management, safety and the environment was intensified, both through field visits on the quality of performance, and on a documental basis through greater control of the transmission and correctness of the required documents.

Finally, **further actions were implemented**, such as the recording of punctual non-conformities, the organisation of specific audits at the sites, or the call for specific actions to remedy the anomalies that emerged (corrective actions).

In 2023, there are about 400 suppliers with significant outsourced volumes, covering 75% of total volumes. Of these, there are **more than 200 suppliers with activities in critical product categories**, representing **more than 50% of total volumes**. Thanks to the tool described above, it is therefore possible to carry out a further segmentation that makes it possible to target risk mitigation actions and even more targeted controls on specific suppliers. There were more than 70 subcontractors that were critical in terms of volume (over 100 thousand euro) and worked on critical goods in 2023.

In the first half of 2023, in addition to the above, **more than 40 CSR assessment questionnaires** were collected from suppliers deemed critical by activity and contract amount. The documents were examined and, for the incomplete or missing parts, clarifications and additions were requested. On the basis of the documents collected, **ten audits were carried out with a focus on corporate social responsibility, all at the suppliers' premises**: in several cases, specific actions were necessary to verify the effective start of the agreed improvement path and the activation of corrective actions. These checks were carried out by employing certified and referenced **third-party auditors**, to guarantee the path of transparency and independence adopted by the Group.

Furthermore, note that in the second half of 2023, monitoring of the level of "**ESG maturity**" of suppliers was started, as foreseen by the new qualification system.

Lastly, **31 additional audits were carried out directly at Hera Group sites** by the Vendor Rating and Assurance structure, together with the Quality, Safety and Environment Department. These monitoring activities complement the periodic audits of the company's contract contact persons, also concerning the proper management of subcontracts/sub-contracts, if any. These audits were selected by focusing on the situations most frequently identified thanks to the **supplier segmentation tool by risk level** mentioned above.

Specific **on-the-job training** sessions were also carried out, aimed at the correct and consistent compilation of checklists at the worksite.

In summary, in 2023 the Hera Group strengthened its risk management along the supply chain, implementing an integrated system articulated on several levels:

- It starts first of all with a **risk assessment of the purchasing product categories** according to the associated level of criticality (high-medium-low), taking into consideration:
 - the impact on the business and on the end customer of Hera's service,

- the principles of the Group’s integrated management system (environment-safety-governance and corporate social responsibility).
- Suppliers are included in the Hera Group's list of qualified suppliers:
 - following a **differentiated qualification** process based on the risk level of the merchandise categories (in addition to verification of standard qualification requirements identical for all merchandise categories, request for technical references for all the most critical merchandise groups and specific requirements on certain merchandise categories, such as the White List where necessary)
 - with the attribution of a **predictive qualification rating** that takes into consideration criteria based on
 - **operating and financial soundness**,
 - possession of **quality certifications** (ISO9001),
 - **ESG parameters** based on a **questionnaire** with 11 compulsory questions and a further 36 optional questions to monitor the level of “ESG maturity” of qualified suppliers, also with the intention of raising their awareness of the principles of **sustainable growth** oriented towards respect for the environment, social sustainability and the adoption of a transparent and responsible organisation.
- The **invitation rotation system**, systematically applied to negotiated tenders and taking into account the number of invitations received and their distribution over time, was enriched by the predictive qualification rating and the strengthening of the performance rating, guaranteeing a greater likelihood of invitations to suppliers with a better score.
- During the execution of contracts, continuous monitoring is carried out, consisting of
 - **supplier risk assessment**, identifying those with a higher risk rate due to the criticality of the commodity, volumes managed, non-compliance and other organisational/reputational information
 - **more frequent and targeted checks** on all suppliers engaged in commodities with a high level of criticality and on those with a higher specific risk rate,
 - management of detected non-conformities and related **corrective actions**,
 - **inspections** at company premises with the contribution of **certified third-party auditors**,
 - assignment of a **performance rating** with a decrease in score after the closure of any non-conformities detected, and an increase in the absence of non-conformities.

Suppliers by type of certification

The scope of **purchases from certified suppliers** is impacted by the effect of the requalification campaign launched following the launch of the new Hera_Pro portal and the related new Vendor Management Model. It should be noted that the requalification campaign was managed gradually, giving priority to suppliers with high strategic impact both in terms of the criticality level of the product category and of the volumes managed.

At the end of 2023, 4,001 suppliers were reclassified under the new model, while around 1,500 economic operators were still in the requalification phase, the majority of which were represented by suppliers employed by HSE under the requirements for Ecobonus deduction. Taking into account the consumption generated only by suppliers who completed the requalification (4,001), the amount of purchases from certified suppliers recorded an increase for all certifications: ISO 9001.

The significant proportion of certified suppliers was a consequence of both the **direct actions** undertaken by Group companies, which systematically included in the tenders or in the supplier qualification phase an indication of the **possession of certifications as a requisite** for participation and/or a highly beneficial requisite for the tender. They also reflected the increased sensitivity shown by companies in considering certifications as an element providing greater competitiveness.

PROCUREMENT FROM CERTIFIED SUPPLIERS - VALUE BREAKDOWN BY TYPE OF CERTIFICATION (% OF TOTAL SUPPLIES)

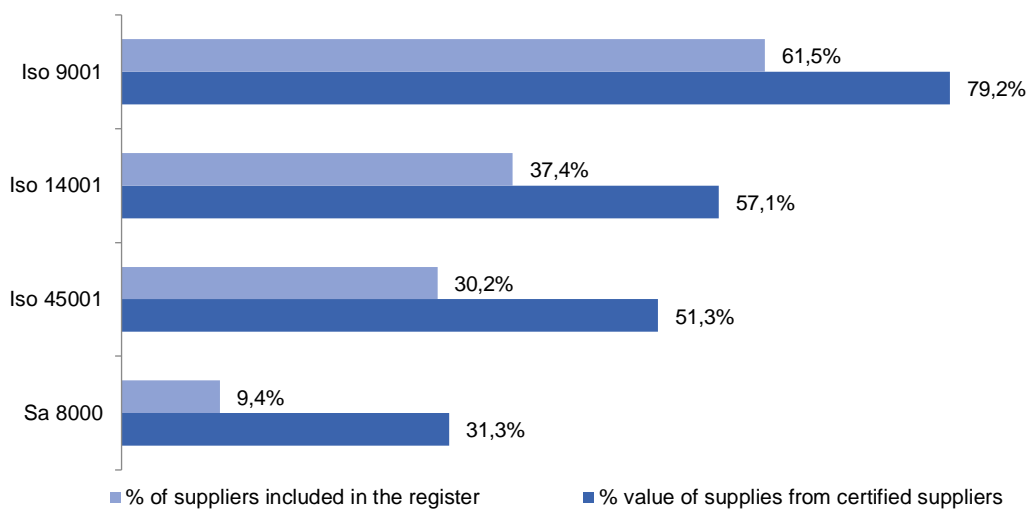
%	2021	2022	2023 pro forma	2023
Quality certification (ISO 9001)	86.8%	86.3%	87.6%	79.2%
Environmental certifications (ISO 14001 - EMAS)	67.2%	67.7%	74.0%	57.1%

%	2021	2022	2023 pro forma	2023
Occupational safety (ISO 45001)	59.4%	60.7%	65.4%	51.3%
Social certification (SA 8000)	38.2%	32.9%	40.6%	31.3%
Total supplies (mn€)	1,199.7	1,365.6	1,391.9	1,981.3

This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.lli Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann. Intercompany purchases are excluded.

The percentage in terms of the value of contracts awarded to certified suppliers is always higher than the percentage of qualified suppliers having certifications. This point of view also clarifies the effects of systematically requiring possession of certifications in the qualification and selection of suppliers.

PORTION OF SUPPLIES WITH RESPECT TO THE NUMBER OF POOL SUPPLIERS (2023)



Supplier vendor rating, evaluation and monitoring

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Monitoring suppliers, with a focus on respect for the environment, energy efficiency, and quality, safety, prevention of corruption and corporate social responsibility requirements by all parties involved, is carried out over the **entire supply chain**, including the main companies in Temporary Business Groupings (TBGs), consortia companies, subcontractors and sub-suppliers (in the structure of each contract/order). The system, aimed at ensuring greater consistency and fairness in the evaluations carried out Groupwide, is guaranteed by:

- a verification of the qualification requirements carried out by the vendor management system;
- ongoing checks by the corporate contact persons of the contract (who are in turn subjected to internal audits on compliance with procedures);
- inspections at the companies' premises by a third-party certified person, supported by the Vendor rating and assurance department;
- internal audits.

By overseeing the various **monitoring activities and a detailed analysis of the reports generated**, it is possible to improve procurement governance, as well as to extend to all companies involved in the execution of the contract the control mechanisms provided for by the Group's procedures, thereby supervising the entire chain of economic actors involved in the performance.

Detailed audits by contractual contact persons and/or construction managers, carried out directly or through their assistants, make it possible to monitor the contractual performance of suppliers in the key areas of quality, safety and the environment, energy saving, the prevention of corruption and corporate social responsibility, thus ensuring a proper **periodic evaluation** of qualified suppliers with active contracts. These audits take place for the **supply of goods** at the time when they are received, for services and works during the progressive performance of the services, by filling out and signing specific **monitoring checklists**, which are also related to the controls carried out on all subjects involved

(including principals, executing companies, subcontractors and sub-suppliers, if any). The **number of inspections** for services and works is defined on the basis of the contractual amount, the duration of the contract and the criticality in terms of quality, safety and the environment and corporate social responsibility of the services monitored.

With the development of the **new supplier qualification and monitoring model**, by the first half of 2024 the **minimum** number of checks recorded will be modified based on the criticality of each individual **product category**: more frequent for critical categories (quarterly) and then progressively lower (six-monthly) up to a minimum annual registration for non-critical product categories. If one or more anomalies occur, the contract manager or his assistant will always have the monitoring checklists available to complete.

Any “non-conformities” detected, always preceded by the checklist rapidly sent to the supplier, to record any applicable counter-findings, are classified on the basis of the major certifications obtained by the Hera Group: ISO 9001 (quality of performance), ISO 14001 (respect for the environment), ISO 45001 (respect for safety), ISO (respect for energy regulations), ISO 37001 (anti-corruption), in addition to guaranteeing corporate social responsibility, and thus make it possible to ensure a rapid and correct periodic assessment of qualified companies.

NON-CONFORMITIES IDENTIFIED BY TYPE

Number	2021	2022	2023
Observation	100	117	152
Relatively insignificant non-compliance	91	69	75
Serious non-compliance	271	238	225
Extremely serious non-compliance	269	195	213
Total	731	619	665

This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.Ili Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann.

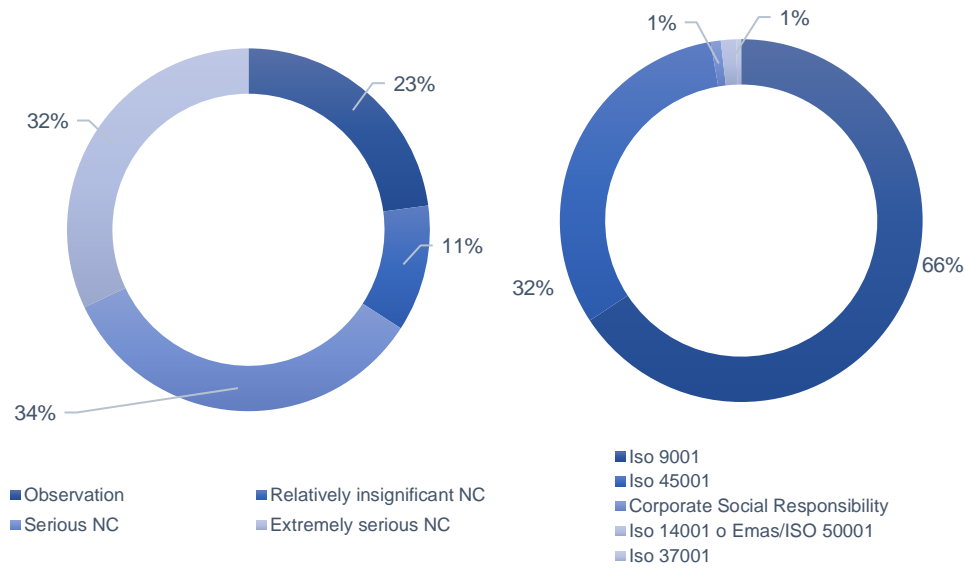
NON-CONFORMITIES IDENTIFIED BY CERTIFICATION

Number	2021	2022	2023
ISO 9001	443	397	437
ISO 45001	254	208	210
Corporate Social Responsibility	6	4	6
ISO 14001 o EMAS/ISO 50001	28	10	9
ISO 37001	0	0	3
Total	731	619	665

This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.Ili Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann.

Across the Group, **665 non-conformities** were detected in 2023, up slightly from the previous year (+7%). Of the total, 528 non-compliances (roughly 79%) were concluded within 31 December 2023. 66% of the non-conformities turned out to be serious or extremely serious, down slightly from the previous year (70% in 2022). Each non-conformity that was recorded and concluded corresponded to a decrease in the supplier’s score, in relation to the severity of the non-conformities detected.

NON-CONFORMITIES IDENTIFIED (2023)



In addition, in 2023, corporate social responsibility inspections continued to be carried out at suppliers' premises, as outlined in the case study "The supplier monitoring plan with a focus on social responsibility". In some cases, partially non-compliant behaviour was found and quickly noted, after which **corrective actions were rapidly introduced**.

On a quarterly basis, suppliers with active contracts received an **update of their score** in the vendor rating system for each qualifying product category, with an increase reflecting the absence or presence of anomalies during the period.

This updated evaluation can always be consulted and assessed independently by the supplier in its reserved area of the supplier portal. The scores are divided into **three categories** that contribute to the rotation, selection and invitation, by individual buyers, of suppliers qualified for a specific class of merchandise concerned by the tenders under private negotiation carried out by the Hera Group. Suppliers in the critical category are **excluded from invitations** unless they subsequently fall, thanks to corrective actions and/or rapid improvement plans, into the qualified categories.

Category	Scoring range	Reliability
Green area	75 - 100 points	medium reliable - very reliable
Yellow area	60 - 74 points	sufficiently reliable - moderately reliable
Red area	< 60 points	critical

The **supplier assessment monitoring and management model** ensures that **bonuses** are granted on a quarterly basis in the absence of anomalies, and that decreases are calculated and allocated when the analysis of **anomalies** (nonconformities) is concluded and specific corrective actions are defined.

With the development of the new supplier qualification and monitoring model, **the rating calculation system will also be modified by the first half of 2024**. The system will be updated to further enhance supplier performance and mitigate the risk associated with supply chain.

Thanks to an ongoing revision and standardisation of the monitoring checklists (published on the company's intranet, always available to compilers), an increasing consistency of the content of the controls carried out and the fairness of the assessments made at Group level is guaranteed. This assigns, in a standardised way, a decrease in the score given to specific suppliers (including principals, contractors, subcontractors/sub-subcontractors) responsible for non-compliant behaviour, which can be detected by the field monitoring documentation (checklist) compiled by contract managers or their delegate. Suppliers incurring serious or very serious non-compliances may be subject to temporary suspension from new invitations to tender for a period ranging from three to six months. **No suspensions were carried out** in 2023.

Selecting suppliers: tenders awarded adopting the most economically advantageous bid method

Since 2008, the Hera Group's Procurement Guidelines have favoured the most economically advantageous bid method as a criterion for evaluating bids using sustainability criteria consistent with the principles of the Code of Ethics and in compliance with current legislation on public contracts.

Within the areas identified by the Guidelines and, more specifically, **respect for the environment, social commitment, performance quality and economic value**, sustainability criteria have been defined based on the experience gained in managing contracts tendered using the most economically advantageous bid method and the applicable regulations, in line with the Group's objectives. For each business area, **a minimum number of sustainability criteria** to be considered when choosing a supplier have been established, based on the tender's economic value and criticality (evaluating the tender's impact on the environment, workplace safety, the quality of the service provided to customers, the duration of the contract or the amount). The **choice of sustainability criteria** falls under the responsibility of the Purchasing and Procurement Department of Hera Spa and the Purchasing and Procurement Departments of AcegasApsAmga and Marche Multiservizi, which, in agreement with the corporate representatives concerned, choose the criteria to be adopted for the type of tender, the weight given to the sustainability criterion in relation to the tender in question, and the assessments with respect to previous tenders and their results. The Purchasing and Procurement Department of Hera Spa may leverage technical support from the Shared Value and Sustainability Department and the Quality, Safety and Environment Department in the choice of criteria.

The main criteria adopted include: management of atmospheric emissions and noise; preventing, reusing and recycling waste; energy efficiency; reducing the hazardous substances used; reducing water consumption; adopting a company's own Code of Ethics; inclusion of disabled and disadvantaged workers; accident prevention and safety training (social commitment); the quality of materials, tools and equipment; professional qualifications and skills and technical performance and output. In 2019, additional criteria related to the **circular economy** were introduced, as detailed below in this chapter and in the case study dedicated to the application of circular economy principles along the supply chain.

Note that as part of Hera Spa's **ISO 50001** certification process, it has been stated in corporate procedures that any business unit which so requires, if it is found that the outsourced activity or asset has a significant impact on the Group's energy consumption, must proceed with an assessment of the energy efficiency requirements on the basis of an Energy Management document used for the assessment of the energy impact.

The new **Procurement Code**, published by Legislative Decree 36/2023 and effective as of July 1, 2023, in continuity with the previous Procurement Code Legislative Decree No. 50/2016 and its subsequent amendments, confirmed the mandatory and exclusive use of the award criterion according to the economically most advantageous tender method in certain cases (Art. 108/2nd paragraph), such as labor-intensive services (such as cleaning services), engineering, architecture or other technical and intellectual services with an amount of 140,000 euros or more, and services and supplies with an amount of 140,000 euros or more that are characterized by significant technological content or have an innovative character. The Hera Group has actually anticipated by at least ten years these virtuous practices in the selection of suppliers in the procedures governing procurement.

PUBLIC TENDERS USING MOST ECONOMICALLY ADVANTAGEOUS BID METHOD

	2021	2022	2023
Number of public calls for tenders published	72	68	94
Number of public calls for tenders published with the most economically advantageous bid method	38	44	53
Value of public tenders published (mn€)	426.5	575.1	892.4
Value of public tenders published with the most economically advantageous bid method (mn€)	336.1	546.1	777.2
Value of tenders with most economically advantageous bid method (% of total value of tenders)	78.8%	95.0%	87.1%
Average score assigned to aspects of sustainability in public tenders assigned during the year	38.4	40.6	40.0

This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.Ili Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann. Intercompany purchases are excluded.

In 2023, 94 public tenders were published, with a total budget of approximately 892 million euro: of these, 53 tenders were carried out following the **most economically advantageous bid method**, amounting to a total of 777 million euro or 87% of the overall value of the tenders issued. Over the last three years, the value of public tenders with the most economically advantageous bid has constantly increased, as has the percentage impact on the total value of public tenders.

The **average score assigned for aspects of sustainability** in public tenders was **40** (unchanged compared to 2022).

The Group's goal is to continue to assign a relevant score to environmental and social sustainability aspects in tenders conducted with the most economically advantageous offer.

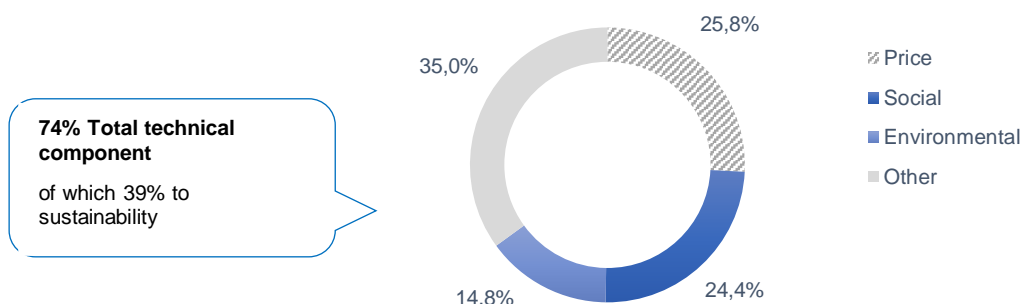
TOTAL TENDERS WITH MOST ECONOMICALLY ADVANTAGEOUS BID METHOD

	2021	2022	2023
Value of total tenders to which the most economically advantageous bid method is applicable (mn€)	681.0	831.4	982.3
Value of tenders with most economically advantageous bid method (%)	65.1%	67.7%	65.8%
Value of the most economically advantageous bid method with sustainability criteria (%)	98.6%	97.9%	99.6%
Value of tenders with most economically advantageous bid method related to circularity criteria (%)	12.5%	13.8%	14.3%
Average score assigned to aspects of sustainability in tenders with most economically advantageous bid method	37.8	39.2	39.2
<i>of which average score assigned to aspects of circularity in the most economically advantageous bid method</i>	8.3	13.2	10.2

This data does not include the companies A.C.R., Aliplast, Aresgas, ASA, Biorg, Feronia, F.Ili Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann. Intercompany purchases are excluded.

Extending the analysis to all tenders and not only to public tenders, across the Group in 2023, **66% of tenders were awarded using the most economically advantageous bid method**: in terms of value, **99.6%** of these were awarded including sustainability criteria among the technical criteria. The average score assigned to the technical component was 74 points out of 100, of which **39 points were related to sustainability criteria: 15 related to environmental aspects** (of which more than 10 to circularity aspects) and **24 to social aspects**.




TOTAL TENDERS WITH THE MOST ECONOMICALLY ADVANTAGEOUS BID METHOD: SCORES AWARDED TO THE VARIOUS COMPONENTS (WEIGHTED AVERAGE OUT OF THE AMOUNT) (2023)



The Group intends to continue to assign a significant **score for aspects of environmental and social sustainability** in tenders issued in line with the most economically advantageous bid method.

In terms of the importance and relevance assigned to sustainability criteria in the evaluating offers, the tenders having a value of more than 10 million euro awarded in 2023 are listed below:

Type	Description	Local area	Amount (mn€)	Duration (years)	Technical component	Sustainability
Open procedure tender	Road resurfacing	ER	33	1	70	<p>Environmental (7, of which 7 on circularity): ISO14001 certification, Use at construction sites of New Jersey median barriers made from secondary raw material, Use at construction sites of plastic delimitation net made from secondary raw materials, Use at construction sites of warning cones made from secondary raw materials, Use at construction sites of signs made from secondary raw material.</p> <p>Social (45): Accident rate trend, ISO 45001 certification, SA 8000 certification, ISO 37001 certification, Legality rating, First aid training in the last three years, Fire safety training in the last three years, Training for Supervisor qualification in last three years, Street sign training in the last three years.</p> <p>Other technical aspects (18)</p>
Restricted procedure tender	Supply of containers with metal tanks of different volumes, which can be emptied using mechanical equipment, for differentiated and undifferentiated MSW collection.	ER	30.8	2	70	<p>Environmental (6, of which 6 on circularity): ISO50001 certification, ISO14001 certification</p> <p>Social (12): SA 8000 certification, ISO 45001 certification, Absence of gender discrimination reports, Presence of the Disability Manager in the company staff</p> <p>Other technical aspects (52)</p>
Open procedure tender	System integration services for the execution of IT activities and projects	ER	26.6	3	100	<p>Environmental (2, of which 2 on circularity): corporate certifications (ISO 20001, ISO 270001, ISO 45001, ISO 14001, ISO 37001, SA 8000)</p> <p>Social (21.5): total number of employees in the area of system integration, governance and management, transfer of know-how and innovative solutions, a Code of Ethics is available</p> <p>Other technical aspects (76.5)</p>
Open procedure tender	Municipal waste transport services performed with roll-off vehicles and loader vehicles	ER	23	4	70	<p>Environmental (38, of which 10 on circularity): Average age of the vehicles, environmental impact of the vehicles offered, vehicle power supply of the vehicles offered by the competitor (electric/methane/LPG)</p>

Type	Description	Local area	Amount (mn€)	Duration (years)	Technical component	Sustainability
						<p>Social (6): SA 8000, ISO 45001</p> <p>Other technical aspects (26)</p>
Open procedure tender	Design and execution activities of works relating to a system called "BUBANO Plant Site"	ER	21	1	<p>70</p> 	<p>Environmental (21, of which 21 on circularity): material circularity - commitment to the use of specific "steel" materials, material circularity (starting with recovery of concrete), installation of reduced loss transformers, technical improvements "pump motors - efficiency, technical improvements "medium voltage switchboards".</p> <p>Other technical aspects (49)</p>
Open procedure tender	Manual and mechanised sweeping service including ancillary services and other environmental services to be carried out within the municipality of Trieste	TR	18	4	<p>80</p> 	<p>Environmental (41, of which 35 on circularity): Minimum level of vehicle emission pollutants (greater reward for electric and hybrid vehicles), Sending waste from street sweeping to a recovery plant, Environmental impact of vehicles, Recharging electrical equipment used in the tender with energy produced from renewable sources, Ownership of a supply contract with electricity from 100% renewable sources, ISO 50001 energy management system certification, feasibility study of a design for the containment of the use of water resources in carrying out the tender activities as well as the recovery and possible reuse of said resources.</p> <p>Social (14): Accident rate trend, ISO 45001 certification Health and safety management system, SA 8000 social responsibility certification, Horn installed on vehicles</p> <p>Other technical aspects (25)</p>
Restricted procedure tender	Customer service - back office	ER-TR	16.8	2	<p>80</p> 	<p>Social (7): ISO 45001 certification, SA 8000 certification, continuity of service with the remote control of operators.</p> <p>Other technical aspects (73)</p>

Type	Description	Local area	Amount (mn€)	Duration (years)	Technical component	Sustainability
Open procedure tender	Municipal waste collection services in the Bologna area and province, and in the municipalities of Firenzuola, Marradi and Palazzuolo sul Senio	ER	15.8	4	70 	<p>Environmental (30 of which 8 on circularity): Average age of the vehicles, environmental impact of the vehicles offered, vehicle power supply offered (electric/methane/LPG)</p> <p>Social (6): SA 8000, ISO 45001</p> <p>Other technical aspects (34)</p>
Privately negotiated tender	Municipal waste transport services performed with roll-off vehicles and loader vehicles, in the municipalities of Modena and Provincia	ER	15.4	4	70 	<p>Environmental (38, of which 10 on circularity): Average age of the vehicles, environmental impact of the vehicles offered, cataloguing, vehicle power supply offered (electric/methane/LPG)</p> <p>Social (6): SA 8000, ISO 45001</p> <p>Other technical aspects (26)</p>
Negotiated procedure tender	Supply and installation of a Fume Purification System (FPS) to be installed at the Padua waste-to-energy plant	TR	14	4	70 	<p>Environmental (56, of which 56 on circularity): Electricity consumption at operating conditions, Optimisation of slaked lime consumption, Optimisation of sodium bicarbonate consumption, Consumption of activated carbon, evaluated as an average day and measured in mg/Nm³ of fumes, Consumption index of reagents such as slaked lime, sodium hydroxide and ammonia solution</p> <p>Social (1): BIM Specialist Function in the Technical Area</p> <p>Other technical aspects (13)</p>
Open procedure tender	Turnkey construction of the new primary substation for the transformation of electrical energy called "M. Baldaccini" located in Madonna dei Baldaccini	ER	12.9	1	70 	<p>Environmental (16, of which 16 on circularity): use of gas with low environmental impact to replace SF₆ gas for high voltage equipment, ISO14001, ISO 50001</p> <p>Social (21): Legality rating Accident rate trend, ISO 45001, SA 8000, additional employees made available for carrying out the work, in possession of a PES qualification (expert person) pursuant to the CEI EN 50110 standard, with the ability to perform high- and low-voltage work.</p> <p>Other technical aspects (33)</p>

Type	Description	Local area	Amount (mn€)	Duration (years)	Technical component	Sustainability
Privately negotiated tender	Replacement of company canteen service for Hera Spa employees through the provision of meals, accessible through the use of the employee's company badge, in affiliated establishments	ER-TR	12.8	3	65 	Social (10): Additional partner establishments with menus suitable for people with Celiac Disease Other technical aspects (55)
Open procedure tender	Implementation contract for the assignment of the replacement service of mechanical meters with electronic devices and electronic meters with NG meters, on the gas metering unit (GMU) Groups, distributed in the areas managed by Group companies	ER-MA	11.4	2	70 	Environmental (7, of which 7 on circularity): Certificazione ISO14001, Vehicles powered solely by electricity made available Social (21): Legality rating Accident rate trend, ISO 45001, SA 8000, first aid training for employees made available, with reference to the minimum team, entirely carried out entirely in the last 1096 days (3 years), fire safety training for employees made available, with reference to the minimum team, carried out entirely in the last 1826 days (5 years) Other technical aspects (42)
Restricted procedure tender	Ordinary and extraordinary mechanical maintenance service and mechanical investment activities at the waste-to-energy plants and waste treatment plants of Herambiente s.p.a.	ER	11.4	42	70 	Environmental (6, of which 6 on circularity): ISO14001, ISO50001 Social (43): training of employees employed in the tender activities (general and specific high-risk training, supervisor training, first aid training, medium-risk fire safety training, confined space training), additional staff qualified for steel welding, Accident rate trend, availability of prevention and protection service staff members (ASPP), ISO45001, SA 8000A Other technical aspects (21)

8.04 Contract management

The **Procurement Guidelines**, in line with the Group's Code of Ethics and its organisational model, pursuant to Legislative Decree 231/2001 and the related "**Procurement Protocol**", set out the basic principles of the Hera Group's procurement activities when acquiring goods, services and works required to operate, both on the free market and when subject to public procurement regulations (Public Contracting Code, Legislative Decree 36/2023).

As of July 2023, the new public contracts code (Legislative Decree 36/2023) took effect, introducing important innovations in the awarding procedures for works, services and supplies. The most relevant change and one with the greatest operational impact is represented by the mandatory requirement from January 2024 for all contracting stations to equip themselves with their own digital procurement platform interoperable with the Anac platforms to ensure the full implementation of the National Digital Procurement Ecosystem (e-procurement). See the section "The vendor management and qualification system" for more information on the new Hera_Pro portal, which anticipates this regulatory obligation.

Note that Hera Spa has been ISO 37001:2016 certified since 2019. This certification consists in adopting a management system aimed at **preventing and addressing possible cases of corruption and promoting an ethical corporate culture**. This certification required some changes to be made to the general terms and conditions for contracts adopted in tender procedures, aimed at making this management system operational from the procurement standpoint. More specifically, during the meeting held on 25 September 2019, Hera Spa's Board of Directors adopted the Corruption prevention model, integrated into the Organisation and management model, pursuant to Legislative Decree 231/2001, whose foundation lies in the principles and values set forth in the Code of Ethics and the Quality and sustainability policy adopted by the Hera Group.

Use of subcontracts

With regard to subcontracts, the **procedure** introduced was **used** in 2021, with full compliance also shown by AcegasApsAmga, but not yet by Marche Multiservizi (which, however, sends the data for overall Group reporting).

The **authorisation to subcontract** makes the works directors and company contract representatives responsible for document checking activities, while Hera Spa's Vendor rating and assurance department is responsible for validating the process, verifying the regularity of social security contributions, checking the list of qualified suppliers and their score, searching the ANAC electronic records and, if necessary, requesting anti-mafia information from the Prefecture, with direct access to the National Anti-Mafia Database as well as requesting a Criminal records certificate. All documentation concerning the request, verification and authorisation has been **standardised across the Group** and is kept up to date with the reference legislation by the Group's Tenders and regulations department. All the documentation is available to companies in the reserved document area of the supplier portal and to all employees via the Company's intranet.

The **monitoring of subcontractor activities at worksites** (supplier monitoring checklist) was consolidated, along with obligations allowing for simple, correct and accurate monthly administrative reporting, including a precise verification of payments and wage recognition to employees

The Group's **standard specifications**, in accordance with the reference legislation, require the contractor to pay its subcontractors and to provide the works manager, upon request, with adequate proof of payment with regard to the various Work progress reports (WPRs) and/or Performance certification forms (PCFs) issued. In the absence of such proof, the Works manager/Company contract manager notifies the appropriate administrative department of the suspension of payments only concerning the non-proven amount in the subsequent WPR/PCF until such time as the payment is made. This method is an alternative to direct payment of subcontractors and can be applied directly at the beginning of the contractual relationship in the case of micro/small enterprises, as provided for by law, or during the course of work in other cases.

In 2023, **about 93 million euro were subcontracted** (down from 81 million in 2022, equivalent to about 7% of the amount of works and services outsourced by the Group, while the amount disclosed for the subcontracts managed came to 18 million euro (down from 20 in 2022), equivalent to 1% of the total works and services outsourced by the Group. These figures were up compared to the previous years due to significant changes in the regulatory framework, which gradually increased the percentage of contractual amounts to be subcontracted. However, the percentage impact of subcontracts on the total value of supplies has been constant over the years.

Timing for payment as per contract

Average contractual payment times for supplies gradually decreased, settling at 56 days in late 2023 (up from 55 in 2022 and 2021), in line with the contractual standard that sets average payment times at 60 days for the Hera Group.

Monitoring accidents at suppliers' workplaces

In line with the principles and objectives of the Hera Group and in order to gain a complete picture of the impact of accidents related to the activities carried out, directly and indirectly, the **Hera Group monitors the accident rates of its suppliers of works and services**. The specifications and contracts involved require suppliers to notify Hera as follows:

- accident events, near misses and environmental incidents must be reported within the first working day following the relevant event, recording them on the Hera Group’s E-procurement platform;
- at the end of the contract, or within mid-February for multi-year contracts, suppliers must draw up an Annual accident summary, once again recording it on the Hera Group’s E-procurement platform.

This phase of data collection and analysis has been computerised, using the SAP SRM platform.

The involvement of suppliers in the Hera Group’s Occupational health and safety (OHS) and ESG Policies is a crucial element in guaranteeing healthy and safe working environments for all workers. This is achieved by working together to integrate prevention and protection processes, involving suppliers as active participants in achieving health and safety objectives.

The involvement of suppliers starts from sharing the Hera Group’s policies in terms of health and safety and knowledge of company procedures that impact suppliers of works and services (e.g. work in confined spaces, work permits). In order to encourage the sharing of Ohs principles with suppliers of works and services, when the contract is signed, the Quality-Safety-Environment-Sustainability Policy documents, the Code of Ethics and the General Quality-Safety-Environment-Energy Regulations are sent to them (see the section “Qualification, selection and evaluation of suppliers”, where the supplier monitoring activities are also reported, which include areas relating to work safety).

Prior to the activation of the works and services contract, the active involvement of suppliers is essential for the preventive assessment of interference risks and the identification of appropriate measures to mitigate these risks.

[403-9]

NUMBER OF AND RATE OF ACCIDENTS AND INJURIES AT SUPPLIERS OF SERVICES AND WORKS

	2021	2022	2023
Number of injuries at the workplace	313	284	252
Rate of injuries at the workplace (frequency)	22.4	22.8	22.3
Number of deaths as a result of accidents at work	1	0	0
Death rate due to injuries at the workplace	0.07	0	0
Hours of work	13,944,492	12,446,283	11,314,868

The frequency rate is the number of accidents per million hours of work. The death rate is the number of deaths per million hours of work. This data does not include the companies ACR, Aliplast, Aresgas, ASA, Biorg, Feronia, F.lli Franchini, Green Factory, Hera Comm Marche, Hera Trading, Horowatt, Macero Maceratese, Marche Multiservizi Falconara, Recycla, Tiepolo, Vallortigara, Wolmann, Con Energia, Macero Maceratese, Hera Comm Marche, Wolmann, Marche Multiservizi Falconara, Green Factory. Intercompany purchases are excluded.

In 2023, **693 suppliers** (1,601 in 2022) **reported accident data**, for a contract value totalling 653 million euro (795 million in 2022), representing 74% of the value of services and works supplied (professional services and consultancy excluded, since they are not considered significant from the occupational safety point of view and PNRR-related amounts excluded except for those from accident contracts, as sporadic supplier activities). The percentage of summaries declined from last year (83%), largely due to the start-up activities of the new information platform that brought a change in operations with related need for run-in.

All reported injuries were analyzed and the related contracts were reviewed and summarized).

Overall, **252 accidents were reported**; data processing showed an average frequency rate coming to 22.3 (as against 22.8 in 2022) and a severity rate of 0.55 (unchanged with respect to 2022). Both rates were essentially in line with the previous year.

Analysing this data for the **most significant product categories from the point of view of accidents**, the following rates emerge:

- for the works category (“general works”), the frequency rate was 17.7 and the severity rate was 0.75 (in 2022, these rates stood at 14.1 and 0.44, respectively);
- for the waste management services category, the frequency rate was 35.2 and the severity rate 0.60 (in 2022 they stood at 38.5 and 0.75, respectively).

8.05 Supplier relations

The year 2023 was dedicated to strengthening dialogue and continuous discussion with suppliers in a number of different areas.

First of all, the **systematic discussion continued with suppliers** who play a strategic role with the Group, both in terms of volumes and in terms of the criticality of the services/products provided (over 80 meetings with over 60 economic operators).

On the occasion of the launch of the new Hera_Pro supplier portal and the new Vendor Management model, an **information campaign** was held for all qualified suppliers via dedicated emails and publication on the Hera Group's institutional website of the updated information note and manuals to support the use of the new portal. Furthermore, two **webinars dedicated** to illustrating the operational innovations introduced regarding the qualification and tender management module and the post-contract module were also offered to over 250 of the main suppliers.

In July 2023, the **“Growing Together” convention** was held, an event bringing together 120 suppliers, during which the Network procurement plan was showcased, particularly challenging also in the light of the intervention plan financed through the National Recovery and Resilience Plan, while an in-depth analysis of the macroeconomic scenario was conducted along with six panels at which the individual business plans of the main Business Units were presented.

In the run-up to the event, a **survey** of suppliers in the network area was conducted in order to gain an understanding of how the Hera Group is perceived as a client, the market penetration rate and potential, as well as the key critical issues/challenges faced by suppliers. Specifically, an overall **appreciation emerged towards the Hera Group** as the commissioning party: 70% appreciate the economic stability and solid reputation of the Hera Group, 48% the geographical proximity and 36% the timeliness of payments (percentages of suppliers who cited this variable among their top 3 preferred choices), while all suppliers expressed interest in acquiring new orders from the Hera Group.

In terms of critical issues, the most significant data concerns the 78% of suppliers who noted **difficulty in hiring staff** and 27% in finding resources and materials.

In this regard, in order to support companies in its supply chain in the search and selection of qualified manpower, in 2023 the Hera Group renewed and further expanded its coverage of the **subsidised agreement** with the Manpower group. This agreement makes it possible for related companies to draw on a pool of **qualified and appropriately trained operators**, who can then be employed on construction sites and/or under existing service contracts with the Hera Group.

Amid an increasingly complex and challenging employment environment, the initiative intends to respond to the growing **recruitment needs** through a distinctive project, which relies on a widespread marketing campaign, the most appropriate candidate evaluation methodologies and an excellence-oriented training programme targeting the development of technical skills and security content. This initiative drew in over 30 suppliers in 2023.

In 2023, to deal with the **flood emergency in Emilia-Romagna**, some **200 suppliers** were involved who promptly responded and demonstrated great solidarity, both from the impacted areas and from other regions of the country, offering their support with teams of operators, technicians, vehicles and equipment made available to restore services and affected areas.

The launch of a **programme to support the development and expansion of the technical implementation skills and quality capabilities of suppliers** is planned for 2024. A part of the programme, special attention will be paid to “capacity building” tools to encourage the **sustainable development of suppliers both on the Esg front** (for example, with specific reference to CSRD reporting, achievement of certifications, targeted training on safety, sustainability and circularity, services for energy and environmental efficiency), as well as technical and financial growth tools (factoring services, search for and training of specialised personnel, support for the rental of vehicles and equipment, etc.).

Litigation with Suppliers

[2-27] The number of litigations was in decline: 29 disputes with suppliers were pending at the end of 2023, compared to 21 at the end of 2022. Eight disputes commenced in 2023, mainly concerning procurement issues.

Suppliers

The circular economy in the supply chain

Also in 2023, consistently with the “Resolve” model proposed by the **Ellen Mac Arthur Foundation**, the Hera Group applied the **four cardinal principles of circularity** (eco-efficiency, dematerialisation, renewability, recyclability) in its procurement, constantly seeking to reconcile them with the objectives of compliance with current regulations on procurement, equal treatment of suppliers, transparency, free competition and supplier rotation.

The principles of the circular economy were either translated into **technical reward criteria** within tenders using the most economically advantageous bid method, or were included in the technical specifications when planning requirements.

In 2023, a **reporting model** continued to be applied so as monitor the impact of the initiatives introduced. In particular, coherently with what had previously been done to monitor the use of sustainability criteria in contracting, the technical **criteria traceable to circular economy principles** were mapped.

In 2023, **circularity criteria were established for over 92% of the awarded tenders with the most economically advantageous offer**, an increase of 10 percentage points compared to 2022, with an average score of 10.2. The value generated by circular elements stands at 14.3% of the value of 2023 awarded tenders awarded with the most economically advantageous offer.

As of 2021, a **lowest-price circularity reporting methodology** has been progressively **extended** to all Hera Group purchases. Applying the new circularity reporting model, it is estimated that in the tenders awarded in 2023 with the lowest price, the value generated by circular elements amounted to more than 12 million euro (it was 10 million in 2022), equal to approximately 4% of the total value.

Overall, considering both most economically advantageous bid method tenders and tenders with the lowest price, the value attributable to circularity elements stands at over **10.5%** of the value of all tenders awarded in 2023.

The main tenders awarded at the **lowest price with elements of circularity** included in the technical specifications are as follows:

- In the private negotiation subject to NRRP financing concerning the reclamation of sections of the water network for the reduction of leaks in the aqueduct networks managed by AcegasApsAmga in the areas of Padua and Trieste, with a starting bid of 4.5 million euro, compliance with the CAM (minimum environmental criteria) for construction envisaged by the Ministry of Ecological Transition was set out in the special tender specifications. In addition, the Type III environmental product declaration (EPD) was required for the products used in the contract, as well as compliance with the Reach regulation relating to the environmental and human health dangers of chemical products. The recovery of material and end-of-life destination was set out, as well as the division of the origin of the material used into % of renewable source and non-renewable source. With regard to waste from construction and demolition, both preparation for the reuse of at least 70% (in terms of weight) and a management plan that addresses the end of life of the products have been taken into account.
- In the open procedure relating to the start-up service for the recovery of waste known as dehydrated sludge produced by the purifiers in the municipality of Trieste and Padua, with a starting price of approximately 5 million euro, the special tender specifications and/or the Tender Notice required possession of the UNI EN ISO 14001 Environmental Management System certification, declarations certifying the availability of sites involved in direct reuse in agriculture for the type of waste in addition to 40% (50% for composting) of the annual minimum quantity (as a technical capacity requirement, etc.) and for each treatment site, proof of the appropriate authorisations relating to the recovery/treatment operations for dehydrated sludge (CER 19.08.05) object of the service, declaration for agricultural sites certifying possession of a valid authorisation for use in agriculture (with reference to specific legal provisions) by agricultural companies authorised to receive and use such special waste in agronomic practices. In addition, it should be noted that the object of this procedure intrinsically involves a final product, which after treatment constitutes biodegradable and/or compostable material suitable for reuse for agricultural purposes, therefore “end of life” recycling.

See the section of this document dedicated to the [selection of suppliers](#) for an account of the technical reward criteria set out in the invitation letter for the main tenders awarded with the most economically advantageous bid method.