

1. SUSTAINABLE STRATEGY AND SHARED VALUE

1.01 About us

[2-1]
[2-6]

The Hera Group is one of Italy's leading multi-utility companies, and provides **4.2 million residents** with a sustainable management of **multiple public services in 311 municipalities** spread across five of the country's regions (Emilia-Romagna, Veneto, Friuli-Venezia Giulia, Marche and Tuscany). AresGas, a subsidiary of AcegasApsAmga, provides methane gas distribution, sales services and electricity sales to about 28 thousand customers in Bulgaria. The Group is also present in other European countries by way of the plastic recycling plants owned by subsidiary Aliplast.

The Hera Group provides **energy** (gas and electricity distribution and sales), **water** (aqueduct, sewerage and purification) and **waste management** (waste collection, recycling and treatment) services to residents and businesses.

The Group's main strengths are:

- a balance between free market services (gas and electricity sales, waste recycling and treatment) and regulated services (gas and electricity distribution, integrated water services and waste collection, recycling and treatment);
- a strong local presence and focus on aspects of sustainability;
- a diversified shareholder base, with approximately 25,000 shareholders.

Hera's leadership confirmed in all sectors in Italy

The **Hera Group** ranks among the top companies nationwide in all business areas in which it operates, ahead of other listed companies:

1st operator in the waste management sector by waste treated

2nd operator in the water cycle by volume of water delivered

3rd operator in gas and electricity sales by number of customers

4th operator in gas distribution by volume delivered

5th operator in electricity distribution in terms of volumes distributed.

5th operator in public lighting by number of lighting points managed

Internal calculations on 2022 data

Services managed [2-6]

Hera's growth has been achieved with a strong focus on aspects of sustainability in managing regulated services (gas and electricity distribution, water services and waste collection) and on the free market (special waste disposal, gas and electricity sales). This development has taken place in a balanced way across the various sectors, creating shared value for local areas and putting sustainability and quality at the centre of the services managed.

	Energy Services	Integrated water service	Waste management services
	Gas and electricity sales and distribution, district heating, heat management and public lighting	Civil and industrial aqueduct, sewerage and purification	Collection, recovery, treatment and disposal of municipal and special waste
Customers	Gas: 2.1 million Electricity: 1.7 million District heating: 13 thousand	Water: 1.5 million	
Municipalities served	Gas distribution: 222 Electricity distribution: 26 District heating: 16 Public lighting: 210	Aqueduct: 227 Sewage and wastewater treatment: 228	Waste collection: 188
Residents served	3.4 million	3.6 million	3.2 million
Volumes	Gas sold: 10.7 bn m ³ Electricity sold: 14.5 TWh	Water sold: 283.4 mn m ³	Municipal waste treated: 2.3 mn t Treated waste: 7.7 mn t

RESIDENTS AND MUNICIPALITIES SERVED IN LOCAL AREAS (REGULATED SERVICES)

Local area	Group Companies	Energy Services	Water services	Waste management services	At least one service
Bologna	Hera	825 thousand (94%)	861 thousand (99%)	771 thousand (88%)	861 thousand (99%)
Ferrara	Hera	286 thousand (84%)	245,000 (72%)	130,000 (38%)	299,000 (88%)
Forli-Cesena	Hera	322 thousand (82%)	392 thousand (100%)	213,000 (54%)	392 thousand (100%)
Imola-Faenza	Hera	193,000 (76%)	254,000 (100%)	254,000 (100%)	254,000 (100%)
Modena	Hera	477 thousand (68%)	472 thousand (67%)	491 thousand (70%)	491 thousand (70%)
Padua	AcegasApsAmga	207,000 (22%)	297,000 (32%)	289,000 (31%)	359 thousand (39%)
Pesaro-Urbino	Marche Multiservizi	240,000 (61%)	273,000 (69%)	262,000 (67%)	318,000 (81%)
Ravenna	Hera	237 thousand (87%)	273,000 (100%)	273,000 (100%)	273,000 (100%)
Rimini	Hera	35,000 (10%)	336 thousand (100%)	320 thousand (95%)	336 thousand (100%)
Trieste	AcegasApsAmga	216,000 (94%)	226,000 (99%)	199,000 (87%)	229,000 (100%)
Udine and Gorizia	AcegasApsAmga	390,000 (59%)	-	-	390,000 (59%)
Hera Group		3.4 million (64%), 226 municipalities	3.6 million (67%), 228 municipalities	3.2 million (60%), 188 municipalities	4.2 million, (78%), 311 municipalities

Number of municipalities, resident citizens and percentage with respect to the total number of residents in the province or local area (at 1 January 2023; source: ISTAT) in which Hera manages at least one energy service (gas, electricity or district heating distribution), water service (aqueduct, sewerage or purification) or waste management service (sorted waste collection, non-sorted waste collection and street sweeping). The Imola-Faenza area includes three municipalities in the province of Florence, in which Hera manages energy, water and waste management services. The Padua area includes one municipality in the province of Venice in which AcegasApsAmga manages water services. The Pesaro-Urbino area includes six municipalities in the province of Ancona where Marche Multiservizi manages waste management services through its subsidiary Marche Multiservizi Falconara and two municipalities in the province of Rimini.

Mission

Hera aims at being the best multi-utility in Italy for its customers, workforce and shareholders. It intends to achieve this by further developing an original corporate model capable of innovating and forging strong links with the areas served, while respecting the local environment.

For Hera, being the best is a source of pride and trust for:

- **customers**, who receive quality services that meet their expectations, thanks to Hera's constant responsiveness;
- **employees**, because the women and men who work for the company, with their skills, engagement and passion, are the foundation of its success;
- **shareholders**, confident that the economic value of the company will continue to be generated, in full respect of the principles of social responsibility;
- **the local areas served**, because economic, social and environmental wealth represents the promise of a sustainable future;
- **suppliers**, because they are key elements in the value chain and partners in growth.

Values

Integrity, a Group made up of fair and loyal people

Transparency, sincerity and clarity towards all stakeholders

Personal responsibility, committed towards the good of the company together
Consistency, doing what we say we will do.

Operational Principles

Sustainability and shared value: a company built to last, and to improve society and the environment for future generations

Service quality and excellence: focus on customers, will full coherence

Efficiency: making the most of available resources

Innovation and continuous improvement: a team that generates ideas and makes things better

Involvement and valorisation: sharing knowledge for improvement

Desire to choose: selecting the most useful solution for growth

The Company's Mission, Values and Operational Principles have been drawn up with the involvement of all Hera Group employees and approved by the Board of Directors of Hera Spa. They can be found, set out in full, on the Group's website, on the company's intranet and in its Code of Ethics, which is subject to review every three years and will be updated in 2022.

The "purpose" included in the Articles of Association

On 28 April 2021, the Shareholders Meeting approved the inclusion in the Articles of Association of Hera, one of the first companies to do so in Italy, of the **concept of "purpose", with a focus on creating shared value**. More specifically, an additional paragraph was inserted in Article 3 to explain the Group's **corporate purpose**, i.e. the objectives it aims to achieve in carrying out its business activities, and thus affirm **its commitment to sustainability**, which has characterised it since its establishment.

The new paragraph reads as follows: "The Company's business model aims at long-term value for its shareholders, by creating a value that is shared with its stakeholders. For this purpose, the Company organises and carries out its business activities also in order to promote social equity and contribute to achieving carbon neutrality, the regeneration of resources and the resilience of the system of services managed, for the benefit of its customers, the local ecosystem and future generations (Hera for the Planet, People and Prosperity)".

The updated Articles of Association – in line with the new Corporate Governance Code of Borsa Italiana and best practices at European level – further strengthen the Hera Group's commitment to the **energy transition** and the **circular economy**, through **innovation** and **digitisation**, as well as to promoting **social equity**.

Major recognitions in 2023

The Hera Group's path of growth can also be traced through the awards received by the company. The most important recent recognitions include:

- **Dow Jones Sustainability Index (DJSI):** Hera was included for the fourth consecutive year in the Dow Jones Sustainability Index and was among the "Top 1%" in S&P Global's Sustainability Yearbook;
- **Inclusion in Bloomberg's MIB ESG index:** for the fourth consecutive year, Hera was part of the international index that evaluates outstanding companies for their policies on gender equality, diversity and inclusion;
- **Integrated Governance Index 2023:** Hera ranked first among Italian companies for fully and consciously integrating sustainability policies into its business strategies;
- Hera was among the best companies in the world in Refinitiv's **Diversity&Inclusion** Index;
- **Top Employers 2024** award (among the top three companies in Italy, out of 2,300 companies analysed in 121 countries around the world) for Hera's strategy of putting people at the centre of welfare, training and diversity, promoting work agility and digitisation.

1.02 The Hera Group for the Planet, People and Prosperity

Putting the figures in relation to the world

Planet, People and Prosperity: the world that Hera wishes to “give” to its numbers is made up of these three “P”s, which are projected towards the horizon its business as the very reason for its existence. This is why they are not simply letters.

Each of these “P”s, in other words, identifies a sphere that becomes part of a dynamic and circular relationship with the Group, representing at the same time a goal and a tool, an objective - in other words - whose progressive achievement serves the company itself.

To the precise extent that it cares for the planet, protecting its balances, regeneration and biodiversity, Hera can in fact encourage rebalancing in the use of the natural resources on which the very services it provides depend and, when possible, their regeneration.

And it is precisely by caring about people—and therefore promoting their rights, dignity, knowledge and perspectives—that the Group can strengthen a wide range of motivated stakeholders who are also active participants in this new balance.

Lastly, by contributing to the prosperity, fairness and harmony of the system in which it operates, Hera can look with confidence towards a social and economic context that, even in the medium and long term, is conducive to its growth and the development of its businesses, with a view to creating shared value.

Already at the heart of the agenda of the G20 chaired by Italy in 2021, the requests underlying “Planet, People and Prosperity” well respond to the **demands that have globally emerged from crises of various kinds**, definitively dismissing the possibility of planning the well-being of society in watertight compartments. They also provide a comprehensive summary of the value-related horizon common to the most significant new business and development models that are currently being developed.

These are important cornerstones, which focus on the central role played by stakeholder value and on the driving role of the company’s social purpose. As such, **Hera has largely anticipated** these issues, and is now able to include under these three “P”s the many results achieved over the years, the historical evolution of its **approach to sustainability**, its **mission** and, ultimately, its very **purpose**, which in 2021 became an integral part of the company’s Articles of Association.

The **balanced scorecard system**, which has been positively guiding the actions and goals of the entire management team for seventeen years now, and the **Code of Ethics**, are also part of this framework. Introduced in 2007 and updated every three years, on the occasion of the fifth revision, carried out in 2022 and one of the most participatory in its history, the Code now sees the corporate purpose extend across Group activities. New topics have been included and others strengthened, also in light of the changing sensitivities due to the major **changes** in the external scenario over the last three years. Since the purpose of this document is to affirm and update the strategic and cultural outlook with which Hera’s **Business plan** is drawn up every year, it is therefore no coincidence that the Plan to 2027 also outlines a wide range of actions for the energy transition, the circular economy and technological evolution, with concrete and innovative projects that can make full use of the funding opportunities of the National Recovery and Resilience Plan (NRRP).

Taken as a whole, these elements provide the framework within which Hera, for some time now, has been making **specific public commitments** in various fields, finding itself already **on the road to climate neutrality by 2050 mapped out by the European Union**. And that is not all: the Group’s operations are fully in line with the transition designed by the **sustainable development goals that the United Nations Agenda sets for 2030**: seven of these, in particular, involve business planning and management, but Hera also contributes - more indirectly - to four further targets.

These range from the reduction of climate-changing emissions to the promotion of renewable energies, from the sustainable use of water resources and the development of a circular economy and recycling of plastics, through to commitments on human rights, diversity and inclusion. These are all quite different challenges, united however by the common thread of a commitment that runs through them all: leaving a mark, not a footprint.

Reporting the shared value generated by Hera through its businesses - introduced in 2016 to mark a change of pace in the **integration of sustainability in the Group’s strategy** and made even more relevant by the continuous occurrence of systemic crises - thus fits into a broader perspective, as is described below in the paragraph “Alongside the protagonists of change”. The very mechanism by which shared value is created, after all, is as essential as it is delicate, and therefore needs to be shared by all players involved.

And so, by keeping the focus on the drivers of shared value creation updated in 2020, this report also takes the form of a narrative of the **stakeholder company** that Hera has never ceased to be, further confirming a business model characterised by values and operating principles that the sixth and most recent edition of the **Code of Ethics** brings together in a mature representation. What emerges is a legacy made up of assets but also of relationships, both of which are fundamental aspects for overcoming the many challenges of a transition that will continue to make sense to the exact extent that it knows how to give itself, always, a human and equitable face as well.

A number of recognitions, in this sense, confirm the correctness of the path taken by the Group: the first Italian multiutility to be included for the fourth consecutive year in the Dow Jones Sustainability Index (Djsi), one of the world's most authoritative stock market indexes assessing the social responsibility of listed companies. Again in 2023, Hera is confirmed among the world sustainability leaders in both the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index, achieving the highest rating in the Environmental and Social areas.

How we do what needs to be done

In order to achieve the many targets implied by the three “P”s, Hera commits all its energy to enhancing the economic, social and environmental impact of the primary services it provides, following an approach that combines the positive effects produced by stakeholder relations with those generated by creating shared value. For this reason, Hera constantly analyses the external context and continues to map the shifting links between the “Global Agenda”, European objectives and the company’s own strategy, all of which are fundamental for identifying the most effective guidelines on which to focus ideas, investments, people and actions.

All this takes place while moving towards a change that the Group pursues in full consistency with the European principles of the **Just Transition**, that is, recognising people as the vital link between development, essential to the future of the company, and sustainability, essential to the company of the future. On the other hand, Hera is well ahead of the Brussels guidelines and has always been consolidating a true philosophy of inclusion, which embraces all types of stakeholders under the banner of a two-pronged strategy: involving them in the distribution of the value created and, at the same time, in the creation of the value to be distributed. This value, most importantly, is enriched with new aspects year after year, which are not solely financial (however important this may be) and whose intangible capital represented by “hard” and “soft” skills is becoming increasingly important. Because the often disruptive nature of the changes to be faced does not cease to demand, alongside sometimes new skills, an increasingly fresh and original reading of the situation, which we believe is important to share and build with everyone.

Planet

All drivers of change with which Hera creates shared value act in the direct interests of an increasingly hot planet, whose climate balances are being eroded and whose natural resources are being compromised by development models that are slow to move away from the linear paradigm. For Hera, this translates into a multifaceted commitment.

It includes, for example, the many actions taken by the Group aimed at “**pursuing carbon neutrality**” throughout its value chains, with actions ranging from promoting energy efficiency to the energy transition and renewable energy.

Hera is committed to “**regenerating resources and closing the circle**,” involving all managed businesses in the protection and regeneration of the planet’s natural capital and creating partnerships aimed at increasing the circularity rate of the broader socioeconomic system.

Hera also works to “**enable resilience and innovate**.” Here, the objective is to encourage the adaptation of the areas served through an increasingly smart and resilient infrastructure, to guarantee continuity and sustainability in essential supplies, and also to promote the ongoing consistency of the innovation process, which especially in digital terms is accompanied by adequate governance of their economic, environmental and social impacts.

People

Hera also believes in the core value of people and uses its range of action to try to promote an active role for individuals, both inside and outside the company. Part of its business activities, linked to **economic growth and social inclusion**, as well as to **job creation and development of new skills**, directly contributes to creating Shared-value Ebitda, giving the driver of change dedicated to “Local areas (and businesses)” additional content.

Hera’s commitment to managing relations with two special categories is fundamental: **workforce** and **suppliers**. Crucial players in overcoming important challenges, these stakeholders are involved by the

Group in numerous initiatives aimed at promoting health, safety, and the enhancement of diversity on the one hand, and transparency, quality, and sustainability of partner companies, public tenders, and contracting on the other. The issue of corporate welfare and, even more so, of training, with which Hera intends to take up a challenge that concerns not only the new generations but also the reskilling of previous ones, whose jobs are rapidly evolving, is decisive on this front.

These categories are then joined by **customers**, whom Hera seeks to involve in so many fundamental battles on recycling, saving and efficient use of resources, as part of a society that sees the notion of citizenship evolving on the principle of “doing together.”

Prosperity

Lastly, all the impact areas involved in **creating shared value**, and the entire system of relations with stakeholders go beyond a rationale of profit only for the few, and contribute in various ways to fair and widespread prosperity, concerning the various parties that interact with the company and also the interests of future generations. In other words, Hera is committed to the lasting, balanced and sustainable growth of its businesses and the socio-economic fabric that surrounds them, consolidating year after year a governance model that in 2023 alone transferred **2,037 million euro** to its stakeholders.

Our Commitment to Just Transition

Guided by the principles of the three “P’s” (Planet, People and Prosperity) that marked the G20 presided over by Italy in 2021, Hera embraces an integrated concept that has not only always guided the Group’s business model and sustainable development, but has also become the distinctive cultural trait to which the European Union itself has more recently consecrated its commitment to the Old Continent’s carbon neutrality.

Strategy

Fully in tune with Brussels, therefore, the Hera Group is also committed to system change that links its chances of success to the harmony with which it is pursued, in the conviction that no step forward, especially when characterised by disruptive technological innovations, can ever be lasting and fruitful unless it is fully shared by all. All this is reflected in the numerous initiatives reported in this report and with which Hera intends to tangibly contribute to the Community objective of the so-called ‘Just Transition’, a transition capable of combining climate action and social inclusion, a Community objective that has been set out among the principles to be followed in the sixth edition of the Code of Ethics approved by the Board of Directors in February 2023.

In designing and reporting on these initiatives, Hera therefore follows its own **Code of Ethics**, and operationally acknowledges itself in the framework defined by the Grantham Research Institute on Climate Change and the Environment and the London School of Economics and Political Science, a document that guides investors and companies through all the dimensions to be overseen in the interest of a transition that truly has a human aspect.

Workers

In this context, the importance assumed by the people of Hera, the Group’s workers, becomes essential, and it is no coincidence that Hera has made it the cornerstone of its Code of Ethics, a document - moreover - that stems from listening within the company itself. This focus on people is also evidenced by the periodic climate surveys involving the entire company population, the results of which form the basis for new improvement measures.

Without resorting to social buffers, the Group continues to guarantee high levels of employment stability, with 95.6% of workers employed on permanent contracts, and flexible corporate welfare, tailored to the needs and choices of the individual worker. And that’s not all: since transition is first and foremost a human matter, since 2006 Hera has linked its incentive systems to sustainability objectives and since 2016 to the creation of shared value, developing new skills and continuing to invest in safety, not to mention its commitment to consolidating gender balance, diversity protection and inclusion policies. Hera’s commitment was also confirmed by the certification to UNI/PdR 125:2022 for gender equality achieved in 2023 for the 11 largest companies.

Central to all this is the issue of reskilling, which Hera is working on in the knowledge that the many professions involved in its various businesses are and will be subject to an evolution that must be anticipated and governed, also by seizing and exploiting the opportunities arising from the presence of old and new generations in the company. Already today, for example, the increasing digitisation of activities and processes has the Corporate Digital Responsibility approach to prevent environmental and social footprints, maximising the benefits for all stakeholders involved.

See the following chapters of the paper for more details:

Local Area (and Business) - Enabling resilience and innovation

- [Job creation and development of new skills](#)

People:

- [Strategic planning of desired and future skills and roles](#)
- [Management of skills and training](#)
- [Professional development](#)
- [Welfare](#)
- [Health and safety](#)

Suppliers

In line with its Code of Ethics, Hera is committed to ensuring that its suppliers operate within a framework of absolute legality, in full protection of human rights and the environment, and under a strategy geared towards the sustainable development of the local areas served, to which - not by chance - 71% of the total wealth produced by the Group is transferred. The multi-utility also acts as a growth partner that empowers its supplier, giving it access to knowledge and technologies capable of improving its performance and consolidating its future prospects. Hera also pursues stable working conditions in its contracts, with employment protection clauses that safeguard the incomes of the families involved. Suppliers are the subject of dedicated monitoring - aimed at verifying, incentivising and rewarding their results in terms of corporate social responsibility - and represent a fundamental link in the value chain along which Hera intends to pursue the reduction of climate-changing emissions and promote the circular economy.

See the following chapters of the paper for more details:

Local Area (and Business) - Enabling resilience and innovation

- [Job creation and development of new skills](#)

Suppliers

- [Qualification, selection and assessment of suppliers](#)
- [Contract management](#)

Local communities

Team logic also permeates the broader relationship with local communities, to whose transition Hera contributes with its services, continuing to invest in innovating an infrastructure asset that will be increasingly decisive in meeting the challenges, especially climate change, of the coming years. The Group also involves the various players in the region in numerous projects dedicated to the environment, social inclusion and digitisation, thus reinforcing - in line with the United Nations' 17th Sustainable Development Goal dedicated to partnerships - the overall resilience of its socio-economic system. Reported in the sustainability report, these projects are in addition to the HeraLabs, authentic listening tools aimed at involving the stakeholders of the communities served in defining new improvement measures.

See the following chapters of the paper for more details:

Local Area (and Business) - Enabling resilience and innovation

- [Innovation and digitisation](#)
- [Economic growth and social inclusion](#)

Governance and creating value

- [Communications with our stakeholders](#)

Customers

Hera is committed to ensuring that its supplies are also accessible to the most vulnerable social categories, with safeguards in addition to those provided for by law and specific protocols implemented in conjunction with local administrations to avoid arrears and disconnections, even in light of high energy prices. Hera also works to make all its customers leading players in the transition, fostering responsible and conscious consumption behaviour and enabling households and companies to embrace energy efficiency, renewable energy and the circular economy.

See the following chapters of the paper for more details:

Energy - Pursuing carbon neutrality:

- [Promoting energy efficiency](#)
- [Energy transition and renewables](#)

Local Area (and Business) - Enabling resilience and innovation

- [Innovation and digitalisation](#)

▪ [Economic growth and social inclusion](#)

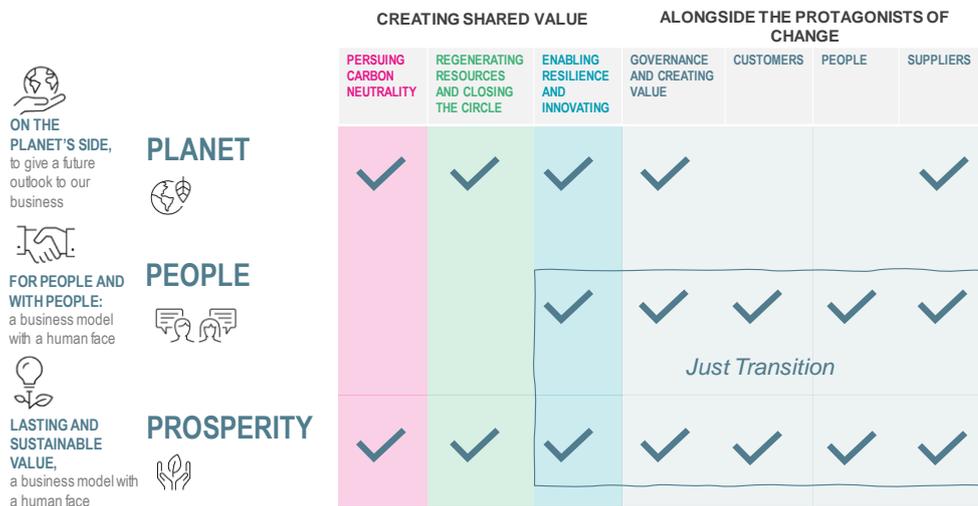
Policy and partnerships

In cooperation with its own trade association Utilitalia, but also with the academic world, Hera is committed to increasing the quality of public debate on transition issues, bringing tangible experience and scientific evidence, and making its know-how available to legislators, so that they may derive regulatory frameworks that are increasingly suited to the objective of a transition that is not only environmentally effective, but also harmonious, inclusive and fair.

Transparency and accountability

Implicitly present also in previous editions of the report, reporting on the dimensions of Just Transition is from 2021 highlighted and thematised as such. In particular, this encompasses the entire paragraph “Alongside the protagonists of change”, as well as the discussion of some of the impact areas of the drivers for creating shared value dedicated to “Enabling resilience and innovating”, with particular reference to job creation, the development of new skills and social inclusion. What emerges is a narrative that runs through, more or less under the surface, most of this report, appearing not as an additional topic but as a cross-cutting key to interpretation, which - as shown in the diagram below - qualifies the overall commitment to transition made by the Hera Group.

HOW THE JUST TRANSITION TAKES SHAPE FOR HERA



Shared value

	What we said we would do	What we did	SDGs	Progress*
Goals, outcomes and targets	2,302 million euro “shared value” investments in 2023-2026 (71% of total investments)	558.4 million euro investments in 2023 alone (68.5% of total investments)	All**	
	62% of total Ebitda: Shared-value Ebitda at roughly 906 million euro in 2026 (approximately +335 million euro compared to 2021)	776.0 million euro Shared-value Ebitda in 2023, or 51.9% of total Ebitda	All**	
* ● Result achieved or in line with planning; ● Result with moderate variance from planning; ● Result with significant variance from planning.				
**this target cuts across all SDGs to which Hera contributes (4,5,6,7,8,9,11,12,13,14,17)				

	What we will do	SDGs
	2,774 million euro “shared value” investments in 2024-2027 (72% of total investments)	All**
	64% of total Ebitda: Shared-value Ebitda at roughly 1,049 million euro by 2027 (+378 million euro compared to 2022).	All**
**this target cuts across all SDGs to which Hera contributes (4,5,6,7,8,9,11,12,13,14,17)		

Hera’s approach to shared value

For the Hera Group, the creation of shared value is the result of a **holistic approach** related to all the business activities and projects that generate **economic marginality** but at the same time respond to the new challenges imposed by the “global agenda,” i.e., the **“call to action”** imposed by regulations, from international to local, that point to the new direction of sustainability.

The definition of Creating Shared Value (CSV) is the result of a path of change that started in 2016, inspired by the academic contribution of Michael Porter and Mark Kramer, through the well-known article published in 2011 by the Harvard Business Review ‘*Creating Shared Value. How to reinvent capitalism - and unleash a wave of innovation and growth*’ and identified the group’s approach to shared value creation as a **new source of direction for future strategy**, consistent with the goals of the UN 2030 Agenda.

This approach also led to a **renewed version of the Sustainability Report**, enriched with new views and perspectives, including, since 2016, a quantification of both **Shared-value Ebitda generated by “Shared-value” activities and projects (CSV Ebitda)** and the investments made in this area.

The value added to Ebitda represents the portion of industrial income attributable to activities that **respond to the needs for change in the direction of sustainability** indicated by the “Global Agenda” and summarised in a reference framework: the Hera Group’s CSV framework. These activities thus produce value for the company while responding to the problems and challenges of the communities in which Hera operates.

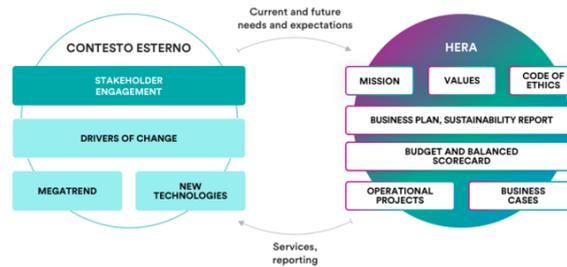
The method for calculating CSV Ebitda requires **specific calculation criteria**. Through an analysis of all the activities managed by the Hera Group, the ones that are consistent with the drivers and impact areas that make up the CSV framework are identified, and the related Ebitda produced is calculated. As of 2019, CSV Ebitda has been **audited by an external firm**. For more information on the method used, see the specific report available at bs.gruppohera.it and the related auditor’s verification statement.

HERA'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY, PREVIOUS ELEMENTS CONFIRMED AND NEW ONES INTRODUCED

From an approach that integrates CSR in our strategy and business activities



...to an explicit connection between the «Global Agenda» priorities and business



The relationship between Corporate social responsibility (CSR) and Creating shared value (CSV) according to Hera

Since 2016, Hera's approach to CSR and sustainability has been enhanced by integrating a CSV perspective into the elements of sustainability that have been part of its strategy and business activities since the Group's establishment.

Thus, as of 2016, the Hera Group's approach to sustainability **integrates CSR with the CSV perspective**, resulting in activities and projects that:

- improve their own environmental and social sustainability performance, mainly related to the businesses they manage (including, but not limited to, legislation and sector regulations) (CSR);
- generate operating margins while responding to the priorities of the "Global Agenda" (CSV).

This latter point is a major development in the Hera Group's original approach to CSR, which will **increase the shared value generated** by overlapping business and "Global Agenda" priorities.



**How we identify
 “Global Agenda”
 priorities and
 CSV areas**

The needs for change in the direction of sustainability set out in the “Global Agenda” represent calls to action and, at the same time, **challenges and opportunities** for the Hera Group. Understanding this scenario is essential not only to make the Group’s sustainability reporting more up-to-date, but above all to **orient its strategy and operational processes towards addressing change, thus contributing to the Company’s competitiveness.**

The CSV framework is periodically checked and updated based on new and emerging global challenges. The most recent review that brought the framework to its current state took place in 2020, while in 2023 the analysis of the “Global Agenda” and the needs for change included in it continued with an in-depth examination of global, European, national and local policies.

Additional policies were added to the previous set of more than 100 policies analysed from 2016 to 2022 in the course of 2023, adding to the sustainability baseline. The main elements intercepted in 2023 were:

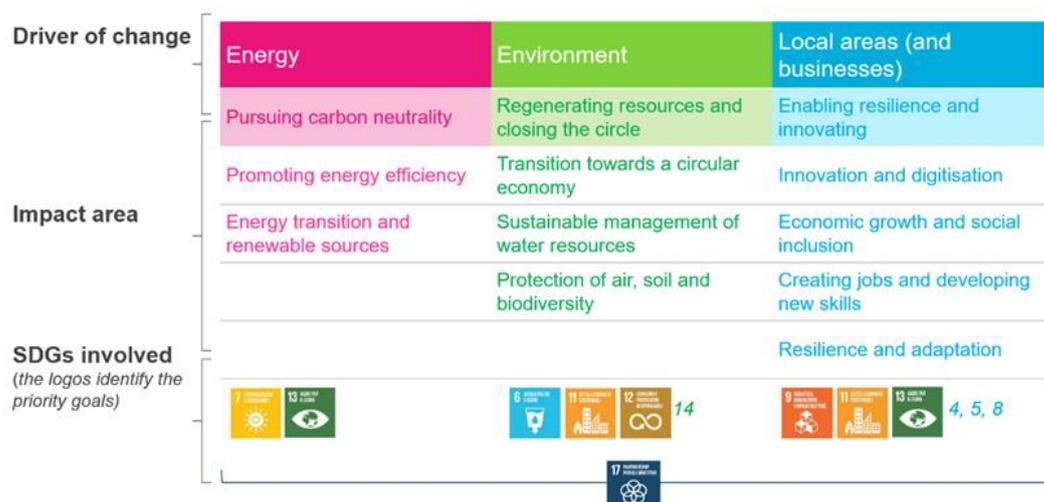
- **climate neutrality and energy transition** revived by the revision of the Renewable Energy Directive (RED) EU2023/2413, COM (2023) 62 which will be part of the Green Deal, the CBAM (carbon border adjustment mechanism) Reg. EU 956/2023 and the EU 2023/1791 Energy Efficiency EED Directive and COP 28 indicating the need to move away from fossil fuels in energy systems;
- better **management of water resources**, which is being pursued at national level through the enactment of Law 68/23, which converts into law Legislative Decree 39/2023 on urgent provisions for combating water scarcity and strengthening and upgrading water facilities;
- a more conscious **transition to the circular economy** thanks to European policies on the topic of recycled plastics and bioplastics, supported by COM (2022) 682 (EU policy framework on biobased, biodegradable and compostable plastics) adopted by the European Commission on the topic of sourcing, labelling and use of bio-based plastics and the use of biodegradable and compostable plastics, as well as by Reg. EU 1616/2022 on recycled plastic materials and items, as well as regulating the marketing of plastics with recycled content, including the collection and sorting of plastic input, and the establishment of a Union registry that includes recyclers and recycling facilities;
- reduced **soil and air pollution**, thanks in part to the introduction at the local level of the “Bologna città 30” Detailed Urban Traffic Plan, which envisions 30km/h becoming de facto normality on urban roads, making the driving style of residents more uniform and less polluting;
- a major boost to **innovation** thanks to the proposed Regulation of the European Parliament and European Council (COM (2022) 454 - Cyber Resilience Act) that strengthens cyber security standards to ensure more secure hardware and software products, as well as the proposed Regulation known as the Data Act, which establishes European rules on the sharing of data generated by the use of connected products or related services;
- **economic development** that is also **inclusive** and leaves no one behind, as reaffirmed at the European level by EU Regulation 2023/955 establishing a Social Climate Fund with the aim of providing financial support to member states for measures and investments included in their social climate plans, and by EU Directive 2023/970 on equal pay (in particular, pay transparency and access to justice for victims of pay discrimination and the gender pay gap). National legislation, in particular Law 56/2023, which converts Legislative Decree 79/2023, on urgent measures to support households and businesses in the purchase of electricity and natural gas, as well as on health and tax compliance and Legislative Decree 48/2023 for urgent measures for social inclusion and access to employment;
- regulations to increase **resilience and adaptation to climate change** also through national policies such as the National Climate Change Adaptation Plan (NCCAP) and the updated Flood Risk Management Plan (FMP).

The CSV framework is made up of three drivers of change and nine impact areas, which in turn are linked to the 11 UN Agenda goals to which the Group contributes, seven of which are identified as priorities, and on which most of this report’s 54 “What we will do” (future goals) are focused.

The seven **priority SDGs** for Hera Group are goals that are more **directly related to business activities** and on which the Group has a **direct impact**: goal 6, clean water and sanitation; goal 7, clean and affordable energy; goal 9, business, innovation and infrastructure; goal 11, sustainable cities and communities; goal 12, responsible consumption and production; goal 13, combating climate change; and goal 17, partnership for the goals. Goal 17 is one of the priorities, because **partnerships are indispensable** for achieving the entire set of important sustainability goals.

The **other four SDGs important** to the Hera Group are goals on which the Group has an **indirect impact through internal processes** (e.g., human resource management) **or business activities** (e.g., protection of vulnerable users): goal 4, quality education; goal 5, gender equality; goal 8, decent work and economic growth; and goal 14, life under water.

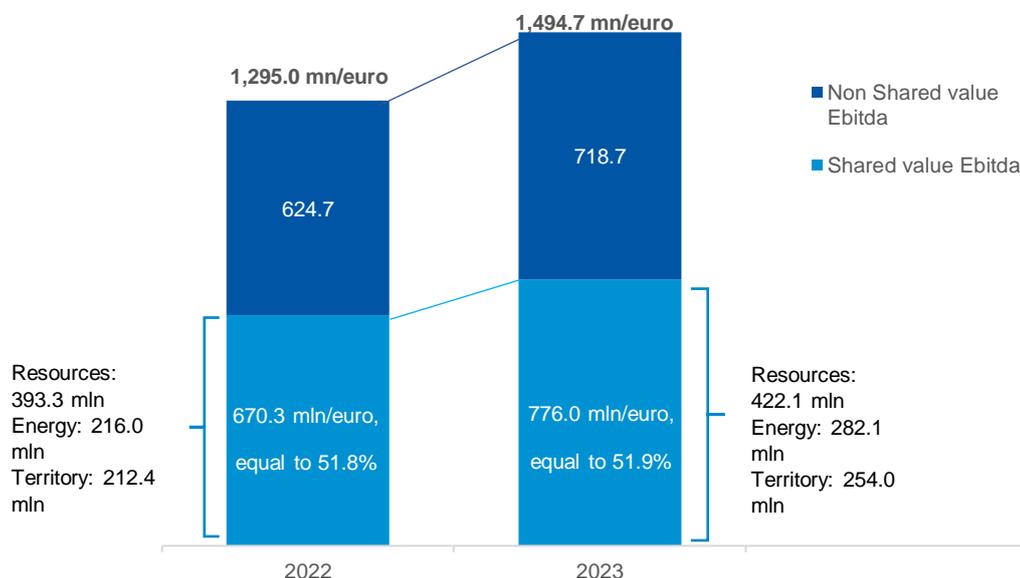
THE AREAS OF SHARED VALUE CREATION FOR HERA (CSV FRAMEWORK): DRIVERS OF CHANGE, IMPACT AREAS, AND UN 2030 AGENDA TARGETS OF INTEREST TO HERA



Shared-value Ebitda (CSV Ebitda)

Relative shared-value Ebitda in 2023 is 776.0 million euro (51.9% of total Group Ebitda), up 16% from 2022. Excluding the extraordinary and non-recurring increase of Ebitda related to the markets of last resort (default, last resort and protected) compared to 2022, Ebitda CSV stands at 55.6% of the total. This result is on the trajectory of the business plan built for Ebitda CSV to exceed EUR 1 billion and to correspond to 64% of the total in 2027 and to reach 70% of the total in 2030.

SHARED-VALUE EBITDA (CSV EBITDA) VS. OVERALL EBITDA



The portion of CSV Ebitda shown in the histogram does not correspond to the sum of individual drivers due to activities attributable to multiple drivers. Total Ebitda as per managerial statements.

The most significant contribution came from activities and projects related to the Environment driver, aimed at “Regenerating resources and closing the circle” (422.1 million euro), followed by those related to the Energy driver, aiming at “Pursuing carbon neutrality” (roughly 282.1 million euro). Projects and activities falling under the Local Areas (and Businesses) “Enabling resilience and innovating” driver contributed with 254.0 million euro in 2023.

The Shared-value Ebitda generated in 2023 mainly resulted from activities and projects that respond to the call to action of the Global Agenda for the Environment driver, aimed at **regenerating resources and closing the circle** (approximately 54% of total CSV Ebitda). As regards the impact area, the Group’s

important role in value creation emerges with activities related to **sustainable water resource management** (58 percent of CSV Ebitda related driver) and **transition towards a circular economy** (35%). Meanwhile, in **air and soil protection** (7%), the largest share of CSV Ebitda comes from remediation activities.

In contrast, 36% of shared-value Ebitda is implemented through activities in the areas aimed at **pursuing carbon neutrality**. 58% of this share of Ebitda is the result of measures aimed at **promoting energy efficiency**, through (i) commercial offers to energy customers including services and tools to reduce consumption, (ii) energy efficiency services for the Public Administration, businesses and condominiums, (iii) industrial cogeneration, (iv) gradual energy efficiency of the public lighting service (with particular reference to extending the number of municipalities in which only electricity from renewable sources is used, where electricity consumption per inhabitant equivalent is less than 50 kWh/inhabitant, and where all lighting points managed are LED). Meanwhile, 42% refers to **energy transition and renewables**. This area accounts for margins from: (i) sale of renewable electricity with Guarantee of Origin (Go) and methane gas with offsetting of greenhouse gas emissions (guaranteed to each domestic on the free market for the first 12 months after signing the contract), (ii) distribution of electricity (eligible activity and aligned with the EU Taxonomy), (iii) district heating (for the share of heat generated from geothermal source), (iv) renewable electricity production from biogas from anaerobic digestion of waste and landfills and from photovoltaics, (v) biomethane production.

Finally, the Hera Group generates about 33% shared-value Ebitda through activities in the areas that aim to **enable resilience and innovate**. In the area of “**innovation and digitisation**” (27%), the “shared value” Ebitda is pursued through the sale of telecommunication services, by means of Acantho, and through the development of projects and investments aimed at digitalising operational processes, services offered and cities. In the area of **economic development and social inclusion** (19 percent), a portion of Shared Value CSV is achieved through contracting and partnerships with social cooperatives resulting in the employment of disadvantaged individuals.

In order to highlight the Group’s commitment to mitigating the risks of adaptation to climate change and to the resilience of the services managed and consequently of the territory served, since 2002, the Shared Value Ebitda deriving from **resilience and adaptation** activities (54%) has been emphasised in the Local area driver. Specifically, the following were accounted for in the Local Area driver:

- the portion of aqueduct Ebitda determined by the percentage of residents served “covered” by water safety management plans; this share is also considered in the environment driver, in the sustainable water resource management impact area;
- the portion of Ebitda determined on the basis of the return on investment for the electricity grid resilience plan already considered in the energy driver, in the energy transition and renewables impact area.

The chart depicting the CSV drivers and their respective impact areas shows **overlaps** that are mainly generated by activities that by their nature may **respond to more than one call to action of the “Global Agenda”**, as pointed out in the case of the “resilience and adaptation” impact area just illustrated, or by the **methodology of accounting** for CSV Ebitda’s share that considers marginality net of the share responding to another impact area. The main activities that explain these overlaps are:

- District heating: an activity that responds to the call-to-actions related to the impact areas “air, soil and biodiversity protection” (Environment driver) and “energy transition and renewables” (Energy driver).
- Implementation of water safety management plans: an activity that responds to the call-to-actions related to the impact areas “sustainable water resource management” (Environment driver) and “resilience and adaptation” (Land driver).
- Power grid resilience plan: an activity that responds to the call-to-actions related to the impact calls “energy transition and renewables” (Energy driver) and “resilience and adaptation” (Land driver).
- Bill instalment payments for customers in difficulty: portion of CSV Ebitda related to the “social inclusion” impact area (Territory driver), calculated from the margins on gas, electricity and district heating sales net of the share already considered in the “energy transition and renewables” impact area (Energy driver).
- Environmental services outsourced to social co-operatives: the portion of CSV Ebitda in the “social inclusion” impact area (Territory driver), calculated starting from the marginality of urban hygiene net of the share already considered in the “transition towards a circular economy” impact area (Environment driver).

GROWTH IN CSV EBITDA IN 2023: +105.7 MILLION EURO (+16%) COMPARED TO 2022

CSV drivers	Main 2023 results and changes compared to 2022
ENERGY Pursuing carbon neutrality: 266.6 million (up 56.2 million from 2022)	<ul style="list-style-type: none"> Increased volumes of energy efficiency activities for public administrations, condominiums and businesses also as a result of the ecobonus Increase in gas and electricity contracts with energy efficiency services and solutions (29.7%, vs 27.1% in 2022); Increased electricity consumed in municipalities with consumption below 50 KWh/inhab or 100% renewable energy and 100% LED lights (80.3% compared to 74.4% in 2022).
ENVIRONMENT Regenerating resources and closing the circle: 422.1 mn (up 28.8 mn from 2022)	<ul style="list-style-type: none"> Increased volumes of gas sold with GHG emission offsets (20.4 percent compared to 14.2% in 2022); Increased volumes of electricity from renewable energy sources (42.8% compared to 41.1% in 2022); Increased margins from remediation, de-commissioning and global service activities due to the acquisition of A.C.R.; Technical closure of additional water safety management plans at water utilities (65.8% of inhabitants covered by the plans, vs 61.9% in 2022); Increase in reused/reusable purified wastewater (10.1% compared to 7.3% in 2022).
LOCAL AREAS (AND BUSINESSES) Enabling resilience and innovating: 87.3 million (up 20.8 million from 2022)	<ul style="list-style-type: none"> Increase in the number of instalments granted to customers (more than double the number in 2022) as a result of the flooding in Emilia-Romagna. 148.2 million investment in innovation and digitisation in 2023; increase in electronic gas meters installed by the end of 2023 (90% compared to 87% in 2022); Increased marginality of telecommunication and digitisation services provided by Acantho.

This table represents data for CSV Ebitda consistent with drivers and impact areas net of elisions. The changes highlighted do not correspond to the changes shown in the graphs above.

Shared-value Ebitda increases in the 2023-2027 business plan

The Group's 2023-2027 Business plan targets a 2027 Shared-value Ebitda amounting to 1,049 million euro, +55% compared to 2022 and accounting for approximately 64% of the Group's total Ebitda (70% in 2030).

The rise in Shared-value Ebitda over the period covered by the plan compared to 2022 (up 379 million euro, of which a minor amount due to M&As aimed at increasing shared value) is greater than the growth in overall Group margins (355 million euro) thanks to a significant contribution coming from increased activities in the CSV drivers: "pursuing carbon neutrality" (+128 million euro), "regenerating resources and closing the circle" (+223 million euro) and "enabling resilience and innovating" (+28 million euro).

CSV drivers	Main actions and goals
Pursuing carbon neutrality: +128 mn euro	<ul style="list-style-type: none"> Further increase in offers for gas and electricity customers with energy efficiency solutions (customers making use of such offers: 42% at 2027); Increased volumes of electricity from renewable sources: 56% of total free market volumes to 2027; Increasing photovoltaic renewable electricity generation (over 152 MW, installed photovoltaic capacity by 2027) Increased PV capacity sold to customers;

CSV drivers

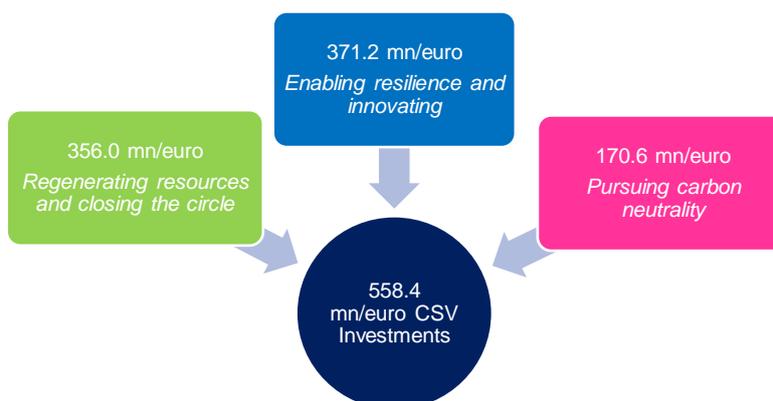
Main actions and goals

<p>Regenerating resources and closing the circle: +223 mn euro</p>	<ul style="list-style-type: none"> Progressive increase of users served in areas with a Water Safety Plan: 91% at 2027; Development of A.C.R.'s remediation, decommissioning and global service business; Increased volumes of waste sent for energy and material recovery at the HASI and subsidiary plants; Completion of the process of upgrading agglomerations >2,000 p.e. in the areas served in line with EU directives (100% agglomerations >2,000 p.e. upgraded by 2025); Development of district heating and increase in the volume served (+7% to 2027 compared to 2022); Progressive increase of reusable wastewater volumes compared to total volumes treated (about 14% to 2027).
<p>Enabling resilience and innovating: +28 mn euro</p>	<ul style="list-style-type: none"> Innovation and digitisation: investments in digital transformation to optimise operational processes and management; progressive rollout of electronic gas meters 2G electricity meters and electronic water meters (95% by 2027); Innovation and digitisation: development of Acantho's activities (telecommunications and connectivity).

Shared-value investments [203-1]

In 2023, the Hera Group allocated resources of approximately **558.4 million euro** (+14% compared to 2022) for investments aimed at creating shared value. This amount represents **68.5% of the sum of investments** made by Hera Group before capital grants.

The chart below shows these investments broken down by CSV driver.



Part of the shared-value investments related to the driver “Regenerating resources and closing the circle”, and in particular part of the investments related to the integrated water service, are also related to the driver “Enabling resilience and innovating”, since they are aimed at improving the resilience of this service.

In 2023, the main investments for “**Pursuing carbon neutrality**” concerned:

- the acquisition of new electricity customers (approximately 51.1 million euro)
- Investments in the electricity distribution service (34.3 million euros)
- Investments aimed at energy efficiency in the water sector (20.6 million euro)
- investments in power generation (17.8 million euro)
- investments in efficiency upgrading of the district heating system (10 million euro)

With regard to the driver “**Regenerating resources and closing the circle**”, the main investments concerned:

- maintenance and remediation work on the distribution networks of the aqueduct service, work on upgrading the sewerage and purification compartment in order to ensure higher quality standards of water resources (about 20.8 million euro)
- Investments for the development of waste recovery and recycling activities, carried out by Aliplast, A.C.R., Hasi and subsidiaries, and Herambiente's sorting plants (approximately 68.2 million euro)
- investments in assets for the urban hygiene service, in particular for the purchase of new generation bins, bins and bells for sorted waste collection (40.0 million euro)

- investments to improve the efficiency of energy recovery from the Group's waste-to-energy plants (approximately 3.1 million euro)
- district heating service development interventions (14.7 million euro)

Lastly, under the driver “**Enabling resilience and innovating**”, investments were mainly aimed at:

- enhance the resilience of the Group's networks and facilities against physical risks such as hydro-geological instability and climate change and other business continuity risks reported in the Group's risk analysis of activities that create shared value (approximately 223.0 million euro) – “Resilience and Adaptation” impact area. Note that these investments are only one component of those reported in the business plan, which also includes the business continuity of other activities that do not generate shared value. These investments are also accounted for in the driver “Regenerating resources and close the circle”, since investments in resilience are transversal by nature;
- promoting a broader use of innovative technologies related to the energy transition, circular economy and digital transformation (approximately 148.2 million euro).

The investments aimed at creating shared value outlined in the 2023-2027 Business plan total roughly 3.5 billion euro (including the NRRP funds obtained), equivalent to 72.5% of total investments (taking into account financial investments and corporate acquisitions). The average annual investments in the 2023-2027 Business plan are approximately 65% higher than the average seen over the last three-year period (2020-2022). Approximately 2.0 billion will be invested in interventions associated with the driver “Regenerating resources and closing the circle”; interventions in the area of “Pursuing carbon neutrality”, on the other hand, will come to approximately 1.5 billion euro, while the remainder (approximately 523 million euro) will be related to investments for “Enabling resilience and innovating”. Shared-value investments include projects financed by the National Recovery and Resilience Plan (NRRP) and linked to Mission 2, “Green Revolution and Ecological Transition” projects; the amount of contributions obtained from the NRRP to finance the projects proposed by the Group comes to approximately 200 million euro.

Integrating sustainability in the Group's strategy

The Hera Group has recently approved the 2023-2027 Business Plan, which confirms the strategic aspects that meet the company's purpose: to generate sustainable value for all stakeholders, fostering a ‘just’ transition through the implementation of projects capable of combining company growth and local development. This strategic framework aims to address the challenges of the geopolitical environment in harmony with EU policies and in response to the contingencies facing the utility sector, resting on the pillars of **ecological transition, innovation, cohesion and social development**.

Consistent with Hera's history and industrial evolution, the Business Plan focuses on profitability and financial soundness through a balanced development of the supply chains, fuelled by the company's organic growth and opportunities for external lines, reducing volatility and risk factors.

Within the outlined strategic framework, the **ecological transition** emerges as an essential focus for the Group, which is committed to promoting the energy transition (by aiming to reduce climate-changing emissions through the development of renewable electricity and gas sources, as well as energy efficiency and recovery solutions), regenerating resources (by adopting and deploying circular business models) and increasing the resilience of infrastructures and services.

The enabling factor of **innovation** is an opportunity to accelerate the achievement of the environmental, social and economic-financial objectives that the Group has set itself, by providing organisational units with cutting-edge technologies and systems to optimise and reorganise processes and assets, supporting supply chains in the evolution and development of their businesses.

The business strategy projects an Ebitda target of 1.65 billion euro by 2027, for a reduction in the Net debt / Ebitda ratio steadily below the threshold of 3 over the Plan period.

Investments of around 4.4 billion euro are planned over five years, which is also an increase compared to the projection of the previous Business Plan (around +10%), despite the restrictive monetary policies of the Central Banks to cope with the gradual increase in inflation since July 2022.

The convergence between the Group's cumulative investments between 2023 and 2027 with the **goals set by the UN Global Agenda** is worth noting: more than 70 percent of financial resources will be allocated to projects that can generate shared value. More than EUR 2.6 billion will be invested to accelerate the commitment to the ecological transition (about 60% of the entire investment plan will be dedicated to decarbonisation and the circular economy), while about 40% will be reserved for measures to increase the resilience of managed assets; a commitment of more than EUR 1 billion (about 30%) is also planned in digitisation and innovation.

In light of the definition of the new objectives of the **European Taxonomy**, the Group estimates that 98% of eligible operational investments (about 2.5 billion euro) will be aligned with the dictates of the European framework, and will therefore be eligible for subsidised sustainable finance instruments, which will also benefit financial costs.

To ensure the construction of a medium- to long-term path in line with sustainability goals, the Group has also identified a set of **business goals to be achieved by 2030**. These include the Group's carbon footprint reduction target, calculated according to the criteria of the 'Science Based Target initiative', with the aim of reducing CO₂ emissions into the atmosphere by 37% by 2030 (compared to 2019) and with a projected reduction of 29% already by 2027.

The Plan to 2027 also foresees a development consistent with the other 2030 targets, referring to the Group's commitment to the circular economy, with a 150% increase in the amount of plastic recycled by Aliplast (compared to 2017), an increase in the packaging recycling rate of more than 80% and the reuse of 18% of waste water out of the total volumes treated.

As can be seen from the table below, **Hera's contribution in terms of the number of "What we will do..."** (goals for the future) contained in this report and consistent with the 2022-2026 Business Plan (considering SDGs impacted by ten or more goals) is preponderant in seven goals: Clean and affordable energy; Decent work and economic growth; Business, innovation and infrastructure; Sustainable cities and communities; Responsible consumption and production; Combating climate change; Partnerships for the goals.

THE "WHAT WE WILL DO..." SEEN FOR THE GOALS OF THE UN 2030 AGENDA.

	4	5	6	7	8	9	11	12	13	14	17
	ISTRUZIONE DI QUALITÀ	PARIETÀ DI GENERE	ACQUA PULITA E IDRICO SANTO SANITARI	ENERGIA PULITA E AFFIDABILE	LAVORO DECENTE E CRESCITA ECONOMICA	IMPRESA, INNOVAZIONE E INFRASTRUTTURE	CITTA' E COMUNITÀ SOSTENIBILI	CONSUMO E PRODUZIONE RESPONSABILI	LUTTA CONTRO IL CAMBIAMENTO CLIMATICO	VITA SOTT'ACQUA	PARTNERSHIP PER GLI OBIETTIVI
Shared value	2	2	2	2	2	2	2	2	2	2	2
Pursuing carbon neutrality				7	0	4	2	0	7		
Regenerating resources and closing the circle			7	1	5		5	4	1	4	3
Enabling resilience and innovating	1	1			5	1	1	1	1		2
Governance and creating value	1	1	1	1	3	1	2	1	1	1	2
Customers						2		1			
People	2				3	1					
Suppliers					4			3			
Total	6	4	10	11	22	11	12	12	12	7	9

Sustainability integrated into the management incentive system

The balanced scorecard approach enables us to assign "balanced" objectives to our management team in four areas (development, quality and corporate social responsibility, organisational integration and efficiency upgrading) and provides a methodology for defining strategy and turning it into daily activities and goals. The innovative aspect of this approach consists of considering the achievement of social and environmental sustainability goals as a condition for achieving economic and financial objectives over the medium and long term.

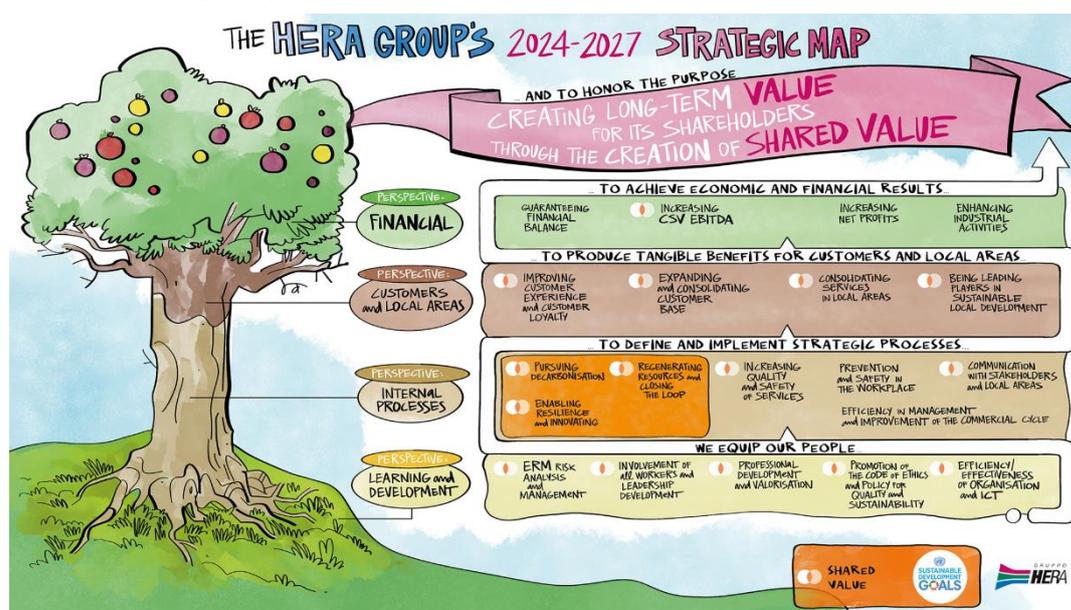
What the balanced scorecard is

The balanced scorecard is a strategic control system based on the link between strategy and the day-to-day management of the company. Devised in the early 1990s by the American academics R. Kaplan and D. Norton, it has also enjoyed considerable success among corporations in the USA and is now being taken up by major European players.

The **Strategic Map** is updated annually based on the contents of the business plan: it provides a **summary of the Group's strategic objectives** and its commitments to stakeholders, set forth in the Sustainability Report.

During the 2023 budget process, **24 priority projects** were defined to achieve the **26 strategic objectives** in the 2023-2026 Strategic Map. Of the 24 priority projects assigned during the year to the members of the Management Review Committee, 18 belonged to areas regarding **creating shared value** for the company, according to the CSV drivers defined in 2020. More specifically, four projects belonged to the area **Regenerating resources and closing the circle**, six projects to the area **pursuing decarbonisation**, four projects to the area **Enabling resilience and innovating**, while four projects were not linked to the three CSV drivers, but contributed indirectly to Creating shared value.

In December 2023, consistently with the priorities set out in the 2023-2027 Business plan, the Group's 2024-2027 Strategic Map was defined.



All projects contained in the Balanced Scorecard 2023 system were assigned to a manager and included in the incentive system involving the Groups managers and executives.

Each project identified:

- process and result indicators with targets consistent with the Group's budget and the corporate departments responsible for their achievement;
- the schedule of key actions to achieve the project targets in terms of time and cost.

The target projects identified were monitored on a quarterly basis by the Hera Spa Management Review Committee and in the individual budget units.

The definition of **target projects** and the related **quarterly monitoring system** of project variables are an important management tool that ensures:

- the integration of several perspectives of corporate performance evaluation, in addition to traditional economic and financial measures;
- the integration of business plan objectives into the daily work of managers and executives;
- the implementation of a continuous improvement process on strategic objectives and the related projects and indicators;
- the formalisation and tracking of the actions and the sub-goals required to achieve the targeted results;
- highlighting and analysis of critical situations and a definition of rapid corrective actions.

The commitments to stakeholders outlined in this report ("What we will do...") are contained in Hera's balanced scorecard. This guarantees consistency between the various tools used to manage and achieve the Group's strategy: Business plan, Sustainability Report, management reporting and incentive system.

Our commitment to sustainability in national and international networks

[2-28]

Hera's commitment to sustainability has become more concrete in recent years after joining important international networks.

The Hera Group was the second Italian company to become a member of the **Ellen MacArthur Foundation**, an international reference point for the circular economy, which aims to promote awareness of issues related to this issue, exchange experiences and launch partnership projects and collaborations in the field of research and development. 2023 was the fifth consecutive year in which progress was made in reporting on the **New Plastics Economy Global Commitment**, the Foundation's initiative to make the plastics sector more circular, which the Group joined in 2018 with challenging goals. Furthermore, in August 2022, acting through Hasi, the Hera Group provided a submission to the third edition of "**Circulytics**", a digital tool developed to measure circularity.

Hera is among the promoters of the **Circular Economy Network (CEN)**, a project established by the **Sustainable Development Foundation** and a group of companies and associations committed to the transition to a new circular economy model. Lastly, Hera is also a member of **ICSEP** (Italian Circular Economy Stakeholder Platform), a platform coordinated by ENEA that brings together Italy's main players in the circular economy.

Since 2020, the Hera Group has been a member of the **Alliance for the Circular Economy**, a network made up of 12 Italian companies aimed at promoting circularity in business strategies. During 2022, the Group took part in drafting two in-depth documents relating to the principles required to implement a framework that favours circular procurement processes and environmental statements with circularity features.

The Hera Group has been a member of the Global Compact since 2004, and in July 2017 it was included in the **Global Compact Network Italia Foundation**, an Italian network established in 2013 which currently counts more than 500 members from both business and non-business contexts.

Once again as part of the Global Compact, Hera joined the **CEO Water Mandate**, the UN Global Compact initiative promoted to boost companies' commitment to the sustainable management of water resources.

Hera is also a member of **Impronta Etica**, an organisation promoting corporate social responsibility, and is part of the **CsrEurope** network, and of **Sustainability Makers**, the Italian network of sustainability professionals.

Lastly, Hera is a partner of **Valore D**.



The CEO Water Mandate



1.03 CSV and sustainability KPIs

	2005	2021	2022	2023	2027	2030
Creating shared value						
Shared-value Ebitda (million euro)	-	570.6	670.3	776.0	1.049	-
Shared-value Ebitda (% of total Ebitda)	-	46.6%	51.8%	51.9%	64%	70%
Shared value investments (million euro) ¹	-	406.6	489.5	558.4	621 ²	-
Shared-value investments (% of total) ¹	-	69.1%	69.0%	68.5%	>70% ²	-
Creating shared value: Pursuing carbon neutrality						
ISO50001 energy saving interventions (% savings compared to 2013) ³	-	6.8%	6.9%	7.6%	9%	10%
Household gas and electricity contracts at the end of the year with at least one energy efficiency solution (% of total free market household contracts)	0%	32.1%	34.3%	35.7%	42%	43%
Renewable electricity sold to customers on the free market (% of total volumes sold on the free market) ⁴	-	45.5%	40.5%	42.8%	56%	>50%
Installed photovoltaic capacity (owned, sold and with third parties) (MW)	-	2.7	9.9	18.4	~300	-
Renewable gases produced (GWh)	-	75.8	72.2	80.6	184	200
CO ₂ emissions reduction compared to 2019 with SBTi calculation methodology (%) ⁶	-	-10.3%	-11.7%	-13.8%	-29%	-37%
Creating shared value: Regenerating resources and closing the circle						
Sorted waste (%)	28.9%	65.3%	67.8%	72.2%	78%	-
Plastic recycled by Aliplast (k tonnes)	-	80.9	79.2	84.6	120	149
Reusable and reused purified wastewater (% of total purified wastewater)	-	6.0%	7.3% ⁷	10.1%	13.6%	18%
Water losses (physical and administrative losses in the civil aqueduct) (m ³ /km of network/day)	-	8.1	8.1	-	7.4	-
Reduction in internal water consumption compared to 2017 (%) ⁸	-	-16.6%	-20.5%	-21.5%	-23.8%	-25%
Aqueduct users served in areas with a Water Safety Plan (% of total aqueduct users served)	-	22.6%	61.9%	65.8%	91%	100%
Urban agglomerations >2,000 population equivalents complying with waste water treatment legislation (% of population equivalents)	-	99.6%	99.6%	99.8%	100%	100%
Emissions from WTE plants vs legal limits (actual concentrations vs legal limits: optimum value <100%)	22.4%	13.8%	13.5%	13.6%	<20%	<20%
Re-use of soil in infrastructure construction (%) ⁹	-	78%	78%	76%	72%	>80%

	2005	2021	2022	2023	2027	2030
Creating shared value: Enabling resilience and innovating						
Value of supplies from local suppliers (% of total suppliers)	62% ¹⁰	67% ¹¹	65% ¹¹	72%	-	-
Workers with permanent contacts (annual average % of total workers)	95.5%	96.5%	96.6%	95.4%	97%	97%
Women in roles of responsibility (%) ¹²	19.9%	30.5%	31.1%	32.6%	33%	>33%
Employees with digital transition skills (% of total population)	-	49%	54%	56%	75%	90%
Employees with environmental transition skills (% of total population)	-	-	21%	32%	53%	60%
Employees with energy transition skills (% of total population)	-	-	28%	36%	53%	60%
District-based aqueduct (%) ¹³	-	49%	51%	55%	73%	-
Water network undergoing predictive maintenance (%)		9%	46%	90%	100%	
Remote-controlled plants (thousand)	2.0 ¹⁴	7.9	9.0	9.7	12	-
Electronic gas meters (%)	0%	67%	77%	88%	95%	-
Second-generation electronic gas meters (%)	0%	0%	6%	42%	91%	-
Electronic water meters (%)	0%	0%	0.3%	0.4%	21%	-

Alongside the protagonists of change

Added value distributed to stakeholders (million euro)	722.1	1,764.4	1,674.1	2,036.7	2,352	-
Average hours of training per capita (number)	18.5	30.3	30.8	31.5	≥26	≥26
Injury frequency index (number of injuries/hours worked x 1,000,000) ¹⁵	49.6	10.3	10.5	10.2	10.4	<10
Internal climate index (score from 0 to 100)	50	71	-	70	≥70	≥70
Customer satisfaction rate, residential customers (score from 0 to 100) ¹⁶	67	73	72	73	≥70	≥70
Procurement by most economically advantageous bid method: sustainability score (% of total)	-	38	39	39	~40	~40

¹ Corporate acquisitions included

² Average years 2023-2027

³ Data referring to Hera Spa, Inrete Distribuzione Energia, AcegasApsAmga, Marche Multiservizi, Herambiente, Hestambiente, Herambiente Servizi Industriali, and Frullo Energia Ambiente

⁴ The final accounts for the years prior to the reporting year were updated based on the latest GSE data available at the time the financial statements were prepared. The data does not include AresGas. The 2022 figures do not include the companies Eco Gas and Con Energia

⁵ In line with the validated science-based targets

⁶ Purpose 1+2+3 sale of downstream electricity and gas. Scope 3 data on methane gas sales for 2021 and 2022 does not take into account transient increases in emissions related to gas services of last resort. The Scope 3 data relating to the sale of natural gas for 2021 have been aligned with the calculation methodology used for the 2022 data.

⁷ Data referring to Hera Spa, AcegasApsAmga and Marche Multiservizi.

⁸ Data referring to the consumption of water from civil and industrial aqueducts of the Group's most "water-demanding" business units served by Hera Spa in Emilia-Romagna

⁹ Progressive data from 2018

¹⁰ 2007 data

¹¹ Excluding HSE

¹² Executives and managers. The percentage of women in the total workforce was 27.5 percent in 2023.

¹³ Data excluding Marche Multiservizi

¹⁴ 2006 Data

¹⁵ Only injuries with absence greater than or equal to three days

¹⁶ 2021 data excluding Marche Multiservizi