

2. Presentation of the corporate governance report and resolutions concerning remuneration policies.

The Chairman, with the consent of the attendees, refrained from reading the Explanatory Report prepared by the Board of Directors on this agenda item in its entirety, the text of which was contained in the folder provided at reception.

In relation to the Report concerning remuneration policies, the Chairman briefly reminded attendees that the fundamental principle underlying the Group's business culture and guiding its choices was a commitment to combining economic and social values with the ultimate objective of satisfying the legitimate expectations of all stakeholders.

The remuneration policy was understood as a factor that contributed to improving the Company's performance and to creating value in the medium-long term.

The Board of Directors, supported by the Remuneration Committee, developed the Remuneration Policy adopted by the Hera Group for 2013 in keeping with the recommendations outlined in Article 6 of the Borsa Italiana S.p.A. Code of Conduct.

The report on remuneration, prepared according to the requirements of Article 123-ter of Legislative Decree 58/1998 (TUF), displayed the principles and essential characteristics of the above-mentioned policy in relation to the compensation offered to the group's senior figures, and in particular the components of the administrative and management organs that held strategic responsibility within the Group, or more specifically the General Manager of Operations and the General Manager of Development and Markets.

He reminded attendees that, in accordance with the above-mentioned Article 123-ter of Legislative Decree 58/1998 (TUF), the resolution that would be reached in the current meeting regarding the first Section of the Report was not binding.

The company defined and applied a General Policy on Remuneration aimed at attracting, motivating and retaining those human resources possessing the professional skills required to profitably pursue the Group's objectives.

The Policy was defined in such a way as to align the interests of Management with those of the shareholders, pursuing the primary objective of creating sustainable value in the medium-long term by consolidating the correlation between compensation and performance, both individual and of the Group as a whole.

The Shareholders' Meeting determined the level of compensation for the Board of Directors.

The Board of Directors in turn determined, in accordance with Article 2389 of the Italian Civil Code, the remuneration owed to the administrators holding particular positions.

The CEO proposed the policies to be applied to the Group's directors to the Remuneration Committee, which assessed these recommendations and presented the policies to the Board of Directors.

The Remuneration Committee periodically evaluated the adequacy, overall consistency and implementation of the general policy governing the remuneration of executive administrators and Chief Operating Officers.

The guidelines adopted in the remuneration policy for top management were as follows:

- ongoing monitoring of external markets, including the core sector, in order to verify the coherence of the company's wage scale, in view of both the retention

of managers and cost avoidance;

- ensuring an internal consistency between the level of the wages offered and the complexity of the position held;

- using and constantly updating the methodology used to assess positions, with the aim of ensuring that remunerative comparisons and analysis were homogeneous and consistent with the evolution of the Group's organizational structure over time.

The main components of remuneration within Hera are currently as follows:

1. Fixed remuneration, usually determined by the professional specialization and the organizational role held, along with its associated responsibilities. It therefore reflects technical, professional and managerial competencies.

The level of remuneration is determined according to a system in which the positions are weighted in comparison with the market. Generally speaking, the wage scale is located in the mid-low bracket of the market (first quartile/median). Changes in individual remuneration were based on these market-based reference points together with an assessment of the individual's performance.

2. Short term variable remuneration - the Balanced Scorecard (BSC) system was applied to top corporate positions as well as all the Directors and Managers of Hera S.p.A. and the Group's subsidiary companies.

The system of short-term incentivization involves assigning an individual Balanced Scorecard (BSC) score to each of the recipients, including a series of pre-set objectives which are associated with specific performance indicators.

For each objective, an expected result (target) is defined and the amount of the bonus to be paid is determined on the basis of the attainment of the objectives actually attained, and the specific weight of each individual objective.

The outcome of the assessment carried out using the above-mentioned individual Balanced Scorecard system is considered in relation to corporate achievements, taking into account the Group's performance in relation to four specific parameters: EBITDA, Net result, Net financial position (NFP) and Customer Satisfaction Index (CSI).

Hera has chosen not to proceed with assigning highly volatile financial tools such as, for example, subscription privileges or other similar tools.

It should be noted that, in keeping with a policy of remunerative benchmarking that maintains a prudent stance with respect to market evolutions, the trends in remunerating Hera S.p.A. administrators and management have been located below both the remuneration levels of other similar companies and the average rates for Italy's top one hundred listed companies by level of capital.

During the approximately ten years that have passed since the establishment of the Hera Group (2002) the results achieved have consistently grown, the EBITDA having more than tripled over the years (from Euro 192 million in 2002 to over Euro 830 million in 2013).

Given the particular sensitivity of the issue of remuneration policies in the historical moment in question, it was noted that for over six years, that is, since the beginning of the crisis, there had not been any corrections in the fixed remuneration offered to corporate heads and that not only had the market conditions been duly taken into account, but the organs in charge also made choices aimed at combining the objective of sobriety with the requirements arising from the need to ensure that the company continued to operate

effectively with respect its existing contracts. Citing only a few of the measures taken in relation to this aim, he noted:

- the significant reduction made over the years in the number of Boards of Directors in the subsidiary companies (more than 180 units) and the subsequent fact that the role of director in the subsidiary companies was covered solely by Hera S.p.A. directors, reminding attendees that these latter provided such services free of charge;
- the reduction in compensation, as of 2011, for the Holding directors and the Vice Chairman;
- the reduction as of 2013 of the variable component of the executive administrators from 40% to 30% of the total gross fixed remuneration foreseen with 100% of the objectives reached, with reference to both the 2012 financial year with final balance calculated in 2013, and the 2013 financial year with final balance calculated in 2014.

The cost of Hera S.p.A.'s Board of Directors for the year 2013 amounted to approximately Euro 1,175,000 net of the compensation totalling approximately Euro 780,000 collected by Hera for the participation of directors/managers in the corporate bodies of the subsidiary companies.

At any rate, considering the delicate nature of the issue, especially during the current historical moment, the Chairman sought to reassure the shareholders that attention would remain high in the effort to bring together the objective of sobriety and the need to ensure the company's effective operation.

In relation to the numerical data, attendees were invited to refer to the second Section of the Report, which details the compensation received by the Board of Directors, the top managers and Chief Operating Officers.

As noted above, it was emphasized that, in compliance with the Issuers' Regulation, the resolution that would be reached in the current Shareholders' Meeting regarding the first Section of the Report was not binding.

Submission of requests for the floor and opening of the discussion

The Chairman invited all those interested in submitting requests to take the floor to go, if they had not already done so, with the appropriate form and their "radiovoter", to the "SPEAKERS" station found in the middle of the room.

He then asked a "SPEAKERS" station staff member to provide the list of requests to take the floor and to update the said list in the event of additional requests submitted during the statements.

Following the order in which the requests to take the floor were submitted, he invited the first person who had made such a request come to the podium, reminding those concerned to keep their statements to 10 minutes.

Shareholder Ballestrazzi took the floor, and noted the sensitive nature of the issue of remuneration in this particular moment, that witnessed a particularly high level of unemployment. He observed that the remuneration of the Chairman and the CEO was too high; he then asked himself how much time the other Directors dedicate to HERA, in light of the total compensation they received. His objection concerned the system itself: one cannot think of continuing in the same manner, considering that in many sectors the Company acted as a monopoly. These sectors must continue to be regarded as public goods. It is necessary to drastically reduce the remuneration, paying the Directors the same amount as the Mayor of the largest municipality. One must not forget that the Directors operate in protected sectors.

The Chairman intervened, reminding those present that in terms of a reduction in remuneration a positive example had already been given the previous year. Shareholder Caradonna took the floor and, stimulated by Ballestrazzi's intervention, noted that the issue could not be discussed in such a demagogic way. HERA is a listed Company, that produces dividends and positions itself, as regards remuneration, at the lowest level compared to other listed companies (he invited attendees to read the statistics published in Milano Finanza). Since there were no further statements, he declared the discussion closed. The Chairman then moved on to the vote.

Submission of the proposed resolution

As provided for by Article 5 of the Shareholders' Meeting Regulations, the Chairman therefore submitted for approval the following proposal relating to the second item on the agenda for the Ordinary Part:

"The Ordinary Shareholders' Meeting of HERA S.p.A.:

- in keeping with the requirements of Article 123-ter of the TUF, and furthermore in implementation of the provisions of Art. 84-quater of the Consob Issuers' Regulation;
- recognizing the policies adopted by the Group concerning remuneration;
- acknowledging the first section of the Remuneration Report

resolves

- to approve the first section of the Hera Group's "Remuneration Report".

Vote on the proposed resolution

The Chairman asked the attendees not to leave the room throughout the entire duration of the voting operations.

He then declared the voting procedure open on the proposed resolution concerning the second item on the agenda for the Ordinary Part.

Holders of proxies, intending to cast differing votes on the proposal, were asked to go to the "assisted voting" station.

The other Shareholders were asked to remain seated and cast their votes using the "radiovoters", according to the instructions given in the document included in the folder provided at reception.

The Chairman then asked voters to:

- press the button corresponding to the vote they wished to cast ("F" for a vote in FAVOUR or "A" for ABSTAIN or "C" for vote AGAINST);
- check on the screen that this choice was correct;
- press the "OK" button;
- check on the screen that the vote had been sent correctly.

Announcement of the results of the vote

The Chairman asked the "assisted voting" station if there were any reports from Shareholders intending to correct the vote cast using the "radiovoters".

He then declared the voting on the proposal indicated in the second item of the agenda for the Ordinary Part closed and asked a staff member to provide the results of the vote.

He then announced the outcome of the vote, the results of which are reported, in accordance with the above-mentioned Appendix 3E to Regulation 11,971 of 14 May 1999, in the document attached hereto as **Appendix N**):

having obtained the approval of the shareholders representing an absolute majority of the share capital represented at the Meeting, as shown in the breakdown in the hereto attached document, and with

997,351,124 votes in favour

23,703,353 votes against

13,541,470 abstentions

0 non-voters

the proposal was declared approved.

The Chairman noted that the discussion of the second item on the agenda for the Ordinary Part was closed, and moved on to discuss the third item on the agenda for the Ordinary Part.