

1.11 CORPORATE GOVERNANCE REPORT

1. 1. Issuer profile

The Hera Group was born in 2002 out of the integration of 11 Emilia-Romagna public service companies, and in the subsequent years continued its territorial growth in order to expand its core business.

Hera is one of the leading Italian multi-utilities in the waste management, water, gas and electricity businesses, with more than 8,500 employees.

The Company, the majority of whose share capital is owned by the State, has been listed on the Mercato Telematico of Borsa Italiana S.p.A. since 26 June 2003 and operates mainly in the territories of Bologna, Ravenna, Rimini, Forlì, Cesena, Ferrara, Modena, Imola and Pesaro-Urbino, and since 1 January 2013, following the integration with the Acegas-Aps Group, in the territories of Padua, Trieste and Gorizia as well. Following the aggregation with Amga – Azienda Multiservizi S.p.A., which was completed as of 1 July 2014, Hera extended its activities to include the Municipality of Udine and the Province of Udine as well.

Hera's goal is to become the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates, while respecting the local environment.

As early as 2003, Hera included corporate social responsibility as part of its strategy, as an effective tool for increasing competitiveness and as a key element for achieving sustainable development. The Mission and Values outline the guidelines for corporate behaviour already contained in the Code of Ethics and shape every action taken by and relationship maintained by the Group. Mission, values and shared conduct represent the strategic and cultural framework within which the industrial plan is formulated, results are reported transparently through the Sustainability Report, and economic planning is defined on an annual basis.

Hera grants special attention to dialoguing with its stakeholders and the local area in which it operates, consolidating positive results achieved in terms of creating value and demonstrating the Group's ability to grow despite the current complex economic conditions.

2. Information on the ownership structure (pursuant to Article 123-bis, paragraph 1, letter a) of the Consolidated Finance Act (TUF) as at 22 March 2016.

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) of the TUF)

The share capital is Euro.1,489,538,745, fully subscribed and paid-up, and consists of 1,489,538,745 ordinary shares with a par value of Euro1 each. Share Capital Structure

Type of shares	number of shares	% of share capital	Listed	Rights and obligations
Ordinary shares		100%	MTA of Borsa Italiana	Ordinary shares give holders dividend and voting rights provided for by law

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) of the TUF)

Article 7 of Hera's Articles of Association stipulate that the majority of voting rights in the company be held by Municipalities, Provinces and Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or by other Public Authorities, or consortiums or joint-stock companies including Municipalities, Provinces or Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or other Public Authorities hold, even indirectly, the majority of the share capital. Article 8.1 of the Articles of Association prohibits the holding of more than 5% of the company's share capital by any shareholder other than those indicated above.

c) Significant equity interests (pursuant to Article 123-bis, paragraph 1, letter c) of the TUF)

Declarer	Direct shareholder	% of share capital
Municipality of Bologna	Comune di Bologna	9.731%
Municipality of Imola	CON.AMI	6.939%
Municipality of Modena	Comune di Modena	6.519%
Municipality of Ravenna	Ravenna Holding Spa	5.540%
Municipality of Trieste	Comune di Trieste	4.603%
Municipality of Padova	Comune di Padova	4.234%
Municipality of Udine	Comune di Udine	2.963%
Gruppo Società Gas Rimini Spa	Gruppo Società Gas Rimini Spa	2.066%
Carimonte Holding Spa	Carimonte Holding Spa	2.001%

d) Shares that confer special rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)

The shareholder's meeting of 28 April 2015 authorized, pursuant to the limits established by Article . 6 the institute's Articles of Association, an increased vote, whereby individuals who are registered for a continuous period of at least 24 months in the special list established beginning in 1 June 2015, will be entitled, for every share they hold, to two votes in shareholders deliberations regarding: i) the amendment of Articles 6.4 and/or 8 of the Articles of Association, ii) the appointment and / or revocation of the Board or its members, iii) the appointment and / or revocation of the Board of Statutory Auditors or its members.

On 13 May 2015, Hera's Board of Directors in order to define the criteria and procedures for keeping the special list, approved the special list regulations for eligibility for increased voting rights, in implementation of the provisions of applicable law and Hera's Articles of Association.

e) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)

Article 8.6 of the Articles of Association stipulates that the voting rights of parties other than public authorities who hold more than 5% of the share capital will be limited to an overall maximum of 5%.

f) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) of the TUF)

In accordance with Article 122 of the TUF, there is a Voting Trust and Share Transfer Rules Agreement in existence between 117 public shareholders concerning procedures for the exercise of voting rights and the transfer of Hera shares held by the signatories. This agreement was signed on 23 June 2015 for a period of three years and is effective from 1 July 2015 to 30 June 2018.

There is also a Voting Trust Agreement in existence between 22 public shareholders from the Modena area concerning the definition of the procedures for the exercise of voting rights, the transfer of Hera shares held by the signatories and appointment of the members of the Board of Directors. This agreement was signed on 25 June 2015 and is effective from 1 July 2015.

There is also a Consultation Agreement in existence, renewed on 22 February 2016 by five minority shareholders of Hera S.p.A., concerning procedures for the exercise of voting rights and the appointment of members of the Board of Directors and of the Board of Statutory Auditors.

g) Mandates to increase share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) of the TUF)

The shareholder's meeting of 28 April 2015 authorized, pursuant to the limits established by Article 2357 of the Italian Civil Code, to purchase, within 18 months of the date of the resolution, on one or more occasions, up to a revolving maximum of 60 million ordinary Hera shares with a par value of Euro1 each, in accordance with the following conditions:

- i. unit purchase price not lower than the par value and not more than 10% higher than the reference price recorded on the stock-market trading day preceding each individual purchase;
- ii. the purchases and all the deeds concerning the treasury shares may occur at a price that does not involve negative economic consequences for the company, and must occur in compliance with the laws, regulations and provisions established by the supervisory body and/or Borsa Italiana S.p.A., involving a maximum increase in investment of 150 million Euros.
- iii. use of the treasury shares purchased within the scope of transactions representing investment opportunities or other transactions involving the allocation or disposal of treasury shares;

It is also stated that the number of treasury shares in the portfolio at the close of the 2015 financial year was 14,944,960.

3. Compliance (pursuant to Article 123-bis, paragraph 2, letter a) of the TUF)

Hera abides by the provisions of the Corporate Governance Code (hereinafter referred to as the "Code"), which contains a detailed series of recommendations concerning principles and rules for the management and control of listed companies, in order to increase the clarity and concreteness of persons and roles, particularly with regard to the independent directors and the internal committees of the Board of Directors.

Although adoption of the principles contained in the Code is not demanded by any legal obligation, the Company agreed to the principles of the Code, and to the modifications and integrations so as to reassure investors that a clear and well-defined organisational model exists within the company, with appropriate divisions of responsibility and powers and a correct balance between management and control, as an effective tool for enhancing and protecting the value of its shareholders' investment.

The full text of the Code is available to the public on the Committee for Corporate Governance website <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>

4. Board of Directors;

a) Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter I) of the TUF)

The shareholder's meeting held 23 April 2014 appointed a Board of Directors, whose mandate lasts from now until the approval of the financial statement for the 2016 financial year, on the basis of the regulations established by the Articles of Association currently in force, which establish that the administrative body is composed of 14 members, including :

- 11 members taken from the list that obtained the highest number of votes according to the rank order in which they were listed, of which at least 2 must be of the less-represented gender;
- 3 members taken from the lists that were not the one that obtained the highest number of votes and which were neither presented nor voted on by shareholders associated with the shareholders who presented or voted for the majority list, of which at least 1 must be of the less-represented gender;

This appointment was thus made on the basis of the list voting system, in order to ensure that at least 1/5 of the directors are appointed from the minority list in compliance with the provisions of Article 4 of Decree-Law 332 of 31 May 1994, converted from Law no. 474 of July 30 1994. Additionally, Article 17 of the Articles of Association stipulates that the lists, which must include at least two candidates satisfying the independence requirements established for the statutory auditors by Article 148, paragraph 3 of Legislative Decree no. 58/1998 and by the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., may be submitted by shareholders who represent at least 1% of shares with voting rights and must be filed at the registered offices at least 25 days prior to the date of the Shareholders' Meeting, together with the candidates' CVs, a declaration of the individual candidates stating that they accept the office and certifying the non-existence of any ineligibility and/or incompatibility provided by law, as well as the satisfaction of the requirements of integrity, and any applicable declaration of satisfaction of the independence requirements established for the statutory auditors by Article 148, paragraph 3 of the TUF and by the Code.

These lists must be made available to the public at the registered offices and on the website www.gruppohera.it, no less than 21 days prior to the date of the Shareholders' Meeting.

In accordance with Article 17.10 of the Articles of Association, if one or more directors appointed on the basis of the list voting system should leave office during the course of the financial year, their places will be filled by means of the co-opting, pursuant to Article

2386 of the Italian Civil Code, of the first unelected candidates from the list to which the departing directors belonged who have not yet been members of the Board of Directors, respecting the principles of gender balance set forth by the law. If, for any reason, no candidates are available, the Board, in compliance with the principles of gender balance set forth by the law, and again pursuant to Article 2386 of the Italian Civil Code, will carry out the co-opting. The directors thus appointed will remain in office until the next Shareholders' Meeting, which will deliberate in accordance with the procedures established for the appointment.

There is a Voting Trust and Share Transfer Rules Agreement in existence between the local authority shareholders which governs the procedures for drawing up the majority list.

There is also a Consultation Agreement in existence, renewed on 22 February 2016 by five minority shareholders of Hera S.p.A..

Plans of succession

The Board of Directors, as regards executive director nomination procedures, that are determined by public shareholders and the evaluations that can be traced to the latter, does not consider it necessary to elaborate a plan of succession for the aforementioned directors. If the mandate of the directors were to end, the function of Chairman as legal representative, will be taken over by the Vice-Chairman. The Board of Directors will have the authority to co-opt new directors to replace those who stepped down and deliberate on the allocation of proxies. The first Meeting will act to supplement the Board of Directors

b) Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

. In conformity with the recommendations of the Code, whereby the Board of Directors must meet on a regular basis, the Company's Articles of Association require the Board to meet at least every three months and whenever the Chairman considers necessary or when requested by at least one-third of its members or by the Board of Statutory Auditors. In addition, in conformity with the recommendations of the Code, which require the Board to be organized and to operate in such a way as to guarantee the effective and efficient performance of its duties, thereby ensuring the creation of value for shareholders and defining the nature and the level of risk compatible with the issuer's strategic objectives, the Company's Articles of Association provide that the Board of Directors be vested with the widest powers for the ordinary and extraordinary management of the Company without any limitations, with the power to carry out all acts considered necessary or appropriate for the pursuit of the corporate purpose, excluding only those which, by law or by virtue of the Articles of Association, are strictly reserved to the Shareholders' Meeting. .

In particular, in accordance with the provisions of the Articles of Association, and in addition to the definition of the structure of the Group, deliberations on the following matters fall to the exclusive competence of the Board:

- I. * appointment and/or removal of the Chairman and Vice Chairman;
- II. * appointment and/or removal of the CEO and/or the General Manager;
- III. * formation and composition of the Executive Committee, appointment and/or removal of the members of the Executive Committee;

- IV. * determination of the powers delegated to the Chairman, the CEO and/or the General Manager and/or the Executive Committee, and modification of those powers;
- V. * approval and modification of any long-term plans or business plans;
- VI. * approval and modification of Group regulations, if adopted;
- VII. * recruitment and/or appointment, on the proposal of the CEO, of the managers responsible for each departmental area;
- VIII. * proposal to place on the agenda of the Shareholders' Meeting the modification of Article 7 (Public majority shareholding), Article 8 (Limits on shareholdings), Article 14 (Validity of Shareholders' Meetings and rights of veto) and Article 17 (Appointment of the Board of Directors) of the Articles of Association;
- IX. * the acquisition and disposal of equity investments with a value exceeding Euro500,000 (five hundred thousand);
- X. * purchase and/or sale of properties with a value exceeding Euro500,000;
- XI. * provision of sureties, liens and/or other real guarantees with a value exceeding Euro500,000;
- XII. * purchase and/or sale of companies and/or business units;
- XIII. * appointment of directors of subsidiaries and/or affiliates;
- XIV. * participation in calls for tender and/or public procedures involving the assumption of contractual obligations exceeding Euro 25 million.

The Board of Directors, in conformity with the provisions of Article 23 of the Articles of Association and Article 150 of Legislative Decree no. 58/98, reports regularly to the Board of Statutory Auditors, at least every three months, normally during the meetings of the Board of Directors or even directly through a written memorandum sent to the Chairman of the Board of Statutory Auditors, on the activities carried out and on the most important economic, financial and asset-related operations carried out by the Company or its subsidiaries, as well as on the operations in which the directors have an interest, on their own behalf or that of third parties, or which are influenced by the party that exercises the activity of direction and coordination. Each director, pursuant to Article 2391 of the Italian Civil Code, informs the other directors and the Board of Statutory Auditors of any interest which, on his own account or that of third parties, he has in a given operation of the Company, indicating the nature, terms, origin and extent of that interest; if the director concerned is the Group CEO, he must refrain from carrying out the operation and entrust it to the Board.

The Board of Directors met on 10 occasions in 2015. All the directors took part in 7 of these meetings, while almost all of them took part in the other 3; all the statutory auditors took part in 7 of the meetings, while almost all of them took part in 3. The average length of the meetings of the Board of Directors was approximately two hours and fifty-five minutes.

The General director of Operations, invited to participate in the meetings of the Board of Directors, attended all of the meetings.

The Head of Legal and Corporate Affairs, in his capacity as Secretary of the Board of Directors, attended all of the meetings.

When so required, the managers responsible for the various departmental areas participate in the meetings of the Board of Directors, to refer on matters falling under their competence that are part of the agenda.

As for the current financial year, as of 22 March 2016 4 meetings of the Board of Directors have been held; 3 of these meetings were attended by all of the directors and

all of the standing auditors while the other ones were attended by almost all of the directors and all of the standing auditors. As of that date, 7 meetings of the Board of Directors have already been scheduled for the remainder of the year.

Transactions with Related Parties

At its meeting of 10 October 2006, the Board of Directors of Hera S.p.A. approved, in compliance with Articles 1 and 9 of the then-in force Corporate Governance Code, guidelines for significant transactions, transactions with related parties and transactions in which a director has an interest ("Guidelines"), in order to ensure that these transactions are conducted transparently and in conformity with the criteria of substantive and procedural correctness.

Subsequently, the Board of Directors of Hera S.p.A. approved the new procedure for transactions with Related Parties ("Procedure") in compliance with the provisions of the Consob Regulation adopted by virtue of Resolution no. 17221 of 12 March 2010 and subsequent amendments and integrations thereto subsequently updated on 21 December 2015 ("Consob Regulation").

The Procedure cancels and completely replaces the rules on transactions with Related Parties contained in the Guidelines, but there is no change to the existing rules set out in the Guidelines concerning significant transactions and transactions in which a director has an interest.

In the Procedure, the Board of Directors fully adopted the definitions of "Related Parties" and "Transactions with Related Parties", as well as all the directly associated definitions, contained in the Consob Regulation and its annexes.

In particular, the following were identified:

1. the types of transactions with Related Parties to which the Procedure applies:
 - "Transactions of Major Importance", or transactions in which at least one of the indices of importance determined by the Consob Regulation exceeds the threshold of 5%;
2. "Transactions of Minor Importance", or transactions with Related Parties that are neither of Major Importance nor of Negligible Amount;
 - "Ordinary Transactions", or transactions which (a) fall within the ordinary conduct of the company's operating activities or associated financial activities; and (b) are carried out under conditions: (i) similar to those normally applied to unrelated parties for transactions of a comparable nature, scale and risk, (ii) based on regularly applied tariffs or established prices, or (iii) comparable with those applied to parties with whom the company is legally obliged to deal for a determined consideration;
 - "Transactions of Negligible Amount", or transactions for which the maximum foreseeable amount of the consideration or of the value of the service does not exceed, for each transaction, the sum of Euro1 million;
 - "Transactions with Related Parties carried out by Subsidiaries".
3. the approval process for Transactions of Major and Minor Importance, depending on whether they involve:
 - Transactions of Minor Importance falling within the competence of the Board of Directors, which are approved by the Board of Directors after hearing the reasoned but non-binding opinion of the Internal Control Committee (hereinafter referred to as the "Committee") regarding the interest, appropriateness and substantive correctness of the transaction;

- Transactions of Major Importance falling with the competence of the Board of Directors, in which the Committee must be involved in the negotiation and investigation phases and in which the transaction may be approved following the receipt of a reasoned favourable opinion from the Committee regarding the interest, appropriateness and substantive correctness of the transaction and following a vote in favour by a majority of the independent directors;
- Transactions of Minor and Major Importance falling with the competence of the Shareholders' Meeting, for which the proposals must follow the same procedure as that for transactions falling with the competence of the Board of Directors, as described in the previous two points, and which must in any event receive a favourable opinion from the Committee.

The Procedure provides that the Committee charged with guaranteeing, by issuing specific opinions, the substantive correctness of dealings with Related Parties, must be in agreement with the Committee for Internal Control and risk management.

The Procedure also identifies the cases to which the Procedure does not apply, as well as governing the procedures for communication with the public on the transactions carried out.

Beginning May 2014, a specific Operational Guideline was applied by Hera and its subsidiaries and subsequently updated on 31 March 2016, in order to detail the information reported in the Procedure and outline the rules, roles and responsibilities, as well as operational activities, implemented by the company.

c) Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

On 24 February 2016, the Board of Directors, in conformity with the provisions of Article 1.C.1. letter g) of the Code, evaluated the size, composition and functioning of the Board itself and its committees, and confirmed its positive judgment with regard to the functioning of the Board.

This evaluation was carried out with the support of the external consultancy Spencer Stuart, governance experts and administrative body consultancy services, and is based on the following criteria:

- interviews with the members and chairman of the Board of Statutory Auditors
- analyses of international best practices;
- an analysis of the culture of the Board of Directors
- an examination of company documents.

The table below shows the current composition of the Board of Directors. The personal and professional details of each director are available on the website www.gruppohera.it.

Name and surname	Office held	Title
Tomaso Tommasi di Vignano	Chairman	Executive director
Stefano Venier	Chief Executive Officer	Executive director
Giovanni Basile	Vice President	Independent non-executive director
Mara Bernardini	Director	Independent non-executive director
Forte Clò	Director	Independent non-executive director
Giorgia Gagliardi	Director	Independent non-executive director
Massimo Giusti	Director	Independent non-executive director
Riccardo Illy	Director	Independent non-executive director
Stefano Manara	Director	Independent non-executive director
Luca Mandrioli	Director	Independent non-executive director
Danilo Manfredi	Director	Independent non-executive director
Cesare Pillon	Director	Non-executive director
Tiziana Primori	Director	Independent non-executive director
Bruno Tani	Director	Independent non-executive director

Accumulation of positions in other companies.

In a resolution dated 10 October 2006, the Board of Directors placed a limit of one on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of executive director, and a limit of two on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of non-executive director.

The Board of Directors ensures that its own members participate in initiatives aimed at increasing their own knowledge of Hera's sector of activities, its company dynamics and their developments, as well as the regulatory reference frame.

d) Delegated bodies

Chairman of the Board of Directors

The Board of Directors, at its meeting of 28 April 2014, passed a resolution to grant the following powers to the Chairman:

1. to chair and direct the Shareholders' Meetings;
2. to establish the agenda of the meetings of the Board of Directors, taking into account the proposals of the CEO;
3. to oversee the deliberations of the Company's administrative bodies, without neglecting the reports presented periodically by the Internal Auditing Department;
4. to represent the Company before third parties and in legal proceedings, with the power to appoint attorneys and lawyers;
5. in cases of urgency, in association with the CEO, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
6. in association with the CEO, to propose to the Board of Directors the appointment of Company representatives on the administrative and control bodies of affiliate companies;
7. to represent the company in relations with the shareholding Public Authorities;
8. to propose to the Board the candidates for membership of the Committees that the Board may decide to establish in compliance with the Stock Exchange regulations which the Company is obliged to observe, or that it intends to establish;
9. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
10. to supervise the Company's performance for the purposes of achieving the corporate goals and to draw up proposals relating to the management of the Company to be submitted to the Board of Directors;
11. to be responsible for organizing the services and offices under his authority, as well as the employees working under him;
12. to sign company correspondence and deeds associated with the exercise of the powers attributed to him and the functions he holds;
13. to supervise the management of the Company and, as far as his authority permits, of its subsidiaries, reporting each month to the Board of Directors;
14. to draw up the Long-term Plans to be submitted to the Board of Directors; to implement corporate and Group strategies, within the context of the directives established by the Board, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;

15. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
16. to represent the Company in the shareholders' meetings of companies, associations, entities and bodies that do not constitute joint-stock companies, of which the Company is a member, with the power to issue special proxies;
17. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
18. to actively or passively represent the Company before public and private entities and offices, Chambers of Commerce, Stock Exchanges, the National Commission for Listed Companies and the Stock Exchange (Consob), the Ministry for Foreign Trade, and the Italian Exchange Office, and any other Public Administration or Authority; by way of example:
 - a) to sign notices, including notices to the General Register of Shares and to Consob, and to fulfill the corporate obligations provided by law and regulations;
 - b) to submit reports, motions and appeals, to apply for licenses and authorizations;
19. to represent the Company in all active and passive lawsuits, in all degrees of civil and administrative proceedings, before arbitration boards, with the widest powers to:
 - a) to bring jurisdictional, conservative, restraining and executive actions, request summary judgments and seizures of property and oppose the same, enter civil proceedings, file motions and appeals;
 - b) request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
20. to stipulate and sign contracts and deeds to take on or dispose of shares, to constitute companies, associations and consortiums with a value not exceeding Euro500 thousand for each transaction;
21. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of Euro300 thousand for each operation;
22. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
23. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate mission - including those relating to intellectual achievements, trademarks and patents - also in association with other companies, up to a limit of Euro2 million for each transaction;
24. to provide for all the expenses incurred by the Company for investments; stipulate, amend and terminate the relative contracts, in particular for:
 - a) works and supplies necessary for the transformation and maintenance of properties and plants up to an amount of Euro20 million for each individual operation;
 - b) purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, up to an amount of Euro10 million for each individual operation, as well as finance leases and rentals of such assets, with the cost limit referring to the annual rental;

- c) purchases, including those under usage licence with the cost limit referring to the annual premium, and job orders relating to EDP programmes;
 - d) commercial information;
25. to participate, as far as his authority permits, in the capacity of representative of the Company, either as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGELs (European Groups of Economic Interest), consortiums and other entities, issuing and receiving the relative mandates, for the purpose of participating in calls for tender for the awarding of works, services and supplies; ;
 26. to take part, as far as his authority permits, in the Company's name, including in TACs (Temporary Associations of Companies), EGELs (European Group of Economic Interest), consortiums and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international levels, both private and public; to submit applications for participation as from the pre-qualification stage; to submit bids up to an amount of Euro 25 million for each individual operation - in cases of urgency, the decision concerning amounts exceeding Euro 25 million will be made in association with the CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, to sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;
 27. to take out, modify and cancel insurance policies, with the cost limit referring to the annual premium, including for surety policies, up to the value of Euro500 thousand for each operation (this limit will not apply to transactions connected with participation in tenders);
 28. to draw up, sign and implement deeds of sale, purchase, and expropriation of properties and to grant, modify or cancel the in rem rights associated with these properties, with the option of carrying out all the operations associated with and consequent to this, including paying and/or receiving, also in installments, the payment, and to pay out possible damages and waive statutory mortgages, up to a total of Euro500 thousand for each operation;
 29. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in installments, the payment and to pay out possible damages and waive statutory mortgages, up to a total of Euro500 thousand for each operation;
 30. to rent or let out properties under leases or subleases and stipulate, amend and terminate the relative contracts;
 31. to deliberate the cancellation, reduction or restriction of mortgages or liens registered in favour of the Company, as well as subrogations in favour of third parties, where the aforesaid cancellations and waivers are requested further or subordinate to the full discharge of the credit;
 32. to establish, register and renew mortgages and liens on the account of third parties and to the benefit of the Company; permit mortgage cancellations and limitations

- on the account of third parties and to the benefit of the Company for return and reduction of obligations; waive mortgages and mortgage subrogations, including those of a legal nature, and effect any other mortgage transaction, always on the account of third parties and to the benefit of the Company, and therefore receivable, exonerating the competent property registrars from each and every responsibility;
33. to appoint lawyers and attorneys for dispute proceedings of any judicial degree; conclude transactions up to a maximum of Euro 5 million for each individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
 34. to define the functional structures of the Company and its subsidiaries, within the framework of the general organisation guidelines established by the Board, specify the criteria for personnel hiring and management in compliance with the annual budget; propose the engagement of directors for each department to the Board of Directors, in consultation with the Executive Committee; engage, appoint and dismiss personnel in accordance with the provisions contained in the annual budgets; promote disciplinary sanctions, dismissals and any other measure in relation to personnel;
 35. to represent the Company in all lawsuits pertaining to labour law, including the power to:
 - a) settle individual labour disputes concerning the categories of officers, clerical workers, assistants and auxiliaries;
 - b) request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
 36. to represent the Company before Social Security and Welfare offices and entities for the settlement of issues relating to employees of the Company, and also before Trade Unions in negotiations for contracts, agreements and labour disputes, with the power to sign the related documents;
 37. to grant and revoke powers of attorney within the scope of the aforesaid powers, for individual deeds or categories of deeds, to both employees of the Company and to third parties including legal entities;
 38. as far as his authority permits, to decide the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than Euro300 thousand for each operation;
 39. the Chairman is assigned the powers and responsibilities set forth in Legislative Decree no. 196 of 30 June 2003 concerning the protection of individuals and other parties with regard to the processing of personal data, with the power of delegation;
 40. the Chairman, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permit, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he :
 - a) ensures that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and

its subsidiaries, and periodically presents those risks for examination by the Board of Directors,

- b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency,
- c) and ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context.
- d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations,
- e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions.

In relation to the powers listed above, and in conformity with Article 2 of the Code, it is noted that the Board of Directors has granted management authority to the Chairman due to the organisational complexity of the Hera Group and for the purposes of a more efficient achievement of the company's business and strategies.

Chief Executive Officer

During the same meeting, the Board of Directors passed a resolution to vest the Group CEO with the following powers:

1. + to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
2. * in cases of urgency, in association with the Chairman, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
3. to implement corporate and Group strategies, within the context of the directives established by the Board of Directors, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;
4. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
5. to draw up the annual budget to be submitted to the Board of Directors;
6. to be responsible for organizing the services and offices under his authority, as well as the employees working under him;
7. to make monthly reports to the Board of Directors, as far as his authority permits, as regards the specified subsidiary companies;
8. to sign company correspondence and deeds associated with the exercise of the powers attributed to him and the functions he holds;
9. to stipulate, amend and terminate agreements concerning lines of credit or loans of any type and duration involving a cost commitment of up to Euro1 million for each individual transaction;
10. to open and close current accounts with banks and credit institutions, withdraw sums from the accounts held in the Company's name, issuing for this purpose the relative cheques or equivalent credit documents, and order transfers utilising available funds or lines of current account credit;

11. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
12. to draw bills on customers, endorse (also for discount) promissory notes, bills and drafts as well as cheques of any kind, and effect any consequential transaction;
13. to grant credit on behalf of the Company, with and/or without recourse, up to a maximum amount of Euro250 million for each individual transaction, and to work with factoring companies and institutions, signing all related deeds;
14. to actively and passively represent the Company before the Tax Authorities and Commissions of any nature and rank, as well as before the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, and Post and Telegraphic Offices; by way of example:
 - a) to sign tax and VAT returns and to fulfil any other tax-related obligations;
 - b) to submit reports, motions and appeals, to apply for licences and authorisations;
 - c) to issue receipts, in particular for payment orders in relation to credits subject to factoring operations;
 - d) to perform any transaction at the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, Post and Telegraphic Offices for the shipment, deposit, clearance and collection of goods, credit instruments, parcels and packages or registered and insured letters, issuing receipts for the same;
15. to issue guarantees and grant loans, and sign bank surety agreements up to the value of Euro500 thousand for each transaction; this limit shall not apply to transactions relating to participation in tenders; issue, accept and endorse credit instruments;
16. to participate, as far as his authority permits, in the capacity of representative of the Company, as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGEIs (European Groups of Economic Interest), consortiums and other entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;
17. to take part, as far as his authority permits, in the Company's name, including in TACs (Temporary Associations of Companies), EGEIs (European Group of Economic Interest), consortiums and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international levels, both private and public; to submit applications for participation as from the pre-qualification stage; to submit bids up to an amount of Euro 25 million for each individual operation - in cases of urgency, the decision concerning amounts exceeding Euro 25 million will be made in association with the CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, to sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;
18. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
19. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate mission - including those relating to intellectual achievements, trademarks and patents - also in association with other companies, up to a limit of Euro2 million for each transaction;

20. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of Euro300 thousand for each operation;
21. to conclude transactions up to an amount of Euro5 million for each individual operation, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
22. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in installments, the payment and to pay out possible damages and waive statutory mortgages, up to a total of Euro 500 thousand for each operation;
23. to grant and revoke powers of attorney within the scope of the aforesaid powers, for individual deeds or categories of deeds, to both employees of the Company and to third parties including legal entities;
24. as far as his authority permits, to decide the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than Euro300 thousand for each operation;
25. the CEO is assigned the role of "Employer" pursuant to and for the purposes of Article 2 of Legislative Decree 81 of 9 April 2008 and subsequent amendments and integrations, with the duties provided for therein and with the power to delegate, as far as is permitted by said decree, the performance of any activity useful and/or necessary for ensuring compliance with the provisions of the law, with the exception of the following Sectors/Structures, for which the role of Employer is attributed as indicated below:
 - a) Mr. Marcello Guerrini, as Corporate Systems Central Director.
 - b) Mr. Roberto Barilli, as Operations General Director and in particular for the regulated services planning and coordination department
 - c) Mr. Salvatore Molè, as Innovation Central Director.
 - d) Mr. Alessandro Baroncini, as Director of Energy Networks;
 - e) Mr. Franco Fogacci, as Director of Water;
 - f) Mr. Tiziano Mazzoni, as Director of Environmental Services;
 - g) Mrs. Susanna Zucchelli, as Technical Director of Clients;
 - h) Mr. Carlo Botti, as Engineering Director (especially for planning and implementing large plant engineering projects);
 - i) Mr. Cristian Fabbri, as Director of the Central Market Department (especially for activities regarding district heating, the Imola cogenerator productive unit and all the plants and activities falling under this authority).
26. the CEO is responsible for managing activities relating to the Register of Freight Carriers, with the power of delegation;
27. the CEO, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permits, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he :

- a) ensures that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically presents those risks for examination by the Board of Directors,
- b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency,
- c) and ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context.
- d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations,
- e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions.

Hence both the Chairman and the CEO are executive directors.

Neither of the two executive directors can be described as the principal supervisor for the management of the company (chief executive officer).

Information to the Board

In conformity with the recommendations of the Code, the delegated bodies report to the Board of Directors and to the Board of Statutory Auditors, at least every three months, on the activities carried out in exercising the powers delegated to them.

The Chairman, so as to guarantee the timeliness and completeness of pre-council briefing, ensures that each director and statutory auditor has at their disposal all of the information and documentation necessary for discussing the items on the agenda of the meetings of the Board of Directors at least three days before the meeting, with the exception of cases of necessity and urgency.

Lastly, the Chairman and the CEO ensure that the Board of Directors is also informed on the most important changes in legislation and regulations relating to the Company and the corporate bodies.

e) Executive Committee

The Board of Directors, appointed during the Shareholders' Meeting of 23 April 2014, in office until the natural expiration of the administrative body's term, and therefore until the approval of the financial statements as of 31 December 2016, as provided for by Article 23.3 of the Articles of Association, at its meeting of 28 April 2014, appointed the Executive Committee consisting of the following members: :

- Mr. Tomaso Tommasi di Vignano Chairman of the Executive Committee
- Mr. Giovanni Basile Vice Chairman of the Executive Committee;
- Mr. Stefano Venier member of the Executive Committee.
- Mr .Riccardo Illy member of the Executive Committee.

With regard to the annual definition of the Group business plan and the budget and to the proposals for the appointment of first level senior executives for each departmental area, the Committee has the task of expressing an opinion prior to presentation to the Board of Directors, and also of deciding:

1. as to contracts and agreements in any way pertaining to the corporate purpose with a value exceeding Euro2 million for each individual contract;
2. in the interests of the Company, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, with a value exceeding Euro 300 thousand and up to Euro 1 million for each operation;
3. as to the Company's subscription to bodies, associations and entities of a scientific and technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the said entity and where participation in the same involves an outlay of more than Euro 300 thousand and up to Euro 1 million for each operation;
4. to settle disputes and/or waive credits of an amount exceeding Euro 5 million;
5. as to the activation, amendment and termination of contracts for the opening of lines of credit or loans of any type and duration involving a cost commitment of more than Euro1 million and up to Euro5 million for each operation;
6. as to issuing calls for tender and/or the stipulation, amendment and termination of contracts for investments relating to:
 - works and supplies necessary for the transformation and maintenance of properties and plants for an amount exceeding Euro 20 million for each operation;
 - purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, with a value exceeding Euro10 million for each operation.
7. To examine Audit Reports on a three-monthly basis
8. to supervise, in conformity with the system of delegations defined within the Company, the implementation of the action plans arising from the audit reports.
9. examine the reports for the mapping and monitoring of financial risks on a three-monthly basis;

The Board of Directors met on 4 occasions in 2015, and all of the meetings were attended by all members. The average duration of the meetings of the Executive Committee was approximately one hour and fifty minutes. .

f) Independent directors

There are currently 11 directors qualifying as non-executive independent members of the Board, in that:

- a) they do not control the Company directly or indirectly, including via subsidiary or trust companies or third parties; they do not exercise significant influence over the Company; they are not party to any shareholders' agreement whereby one or more parties may exercise control or significant influence over the Company;
- b) they are not currently, nor have they been in the last three financial years, important representatives of the Company, one of its subsidiaries with strategic importance or one of the companies subject to joint control together with the Company, or of a company or body which, also together with others as a result of shareholders' agreements, controls the Company or is able to exercise significant influence over it;
- c) they do not currently have, nor have they had in the previous financial year, either directly or indirectly, any significant commercial, financial or professional relationship:
 - with the Company, one of its subsidiaries or any of the related important representatives;

- with a party who, alone or with others as a result of shareholders' agreements, controls the Company, or - in the case of companies or bodies - with the related important representatives, and who have not been employees of one of the aforementioned parties in the last three financial years;
- d) they have not received in the last three financial years, from the company or from a subsidiary or parent company, significant supplementary remuneration (in addition to the "fixed" emolument of the Company's non-executive directors and the remuneration for participation in internal committees), including participation in incentive schemes linked to the company's performance, even share-based;
- e) they have not held the office of executive director in another company in which an executive director of the Company holds the office of director;
- f) they are not shareholders or directors of a company or entity belonging to the network of the firm appointed to audit the Company's accounts;
- g) they are not close relatives of a party in one of the positions described in the previous points;
- h) they satisfy the requirements of independence set forth under Article . 148, paragraph 3 of the TUF.

The following circumstances do not invalidate the requirements of independence of a director: the appointment of the director by the shareholders or group of shareholders controlling the Company; the holding of the office of director of a subsidiary of the Company and receiving the related remuneration; the holding of the office of member of one of the advisory Committees cited below.

As regards Hera directors who have held office for more than nine years, the Board of Directors has resolved that these directors also possess the requisites of independence, in that the duration of the assignment alone does not constitute a factor that invalidates in and by itself the independence of directors, since it does not condition either the independence of their judgment, or the free exercise of this judgment.

The Board of Statutory Auditors, in conformity with the provisions contained in Article 3 of the Code, has checked the correct application of the criteria and assessment procedures adopted by the Board of Directors for ascertaining the independence of its members.

Induction

As occurred in the past for new appointments to the Board, it was decided to arrange for some occasions of further reflection, both specific and as part of Board meetings. With the renewal of the Board of Directors in 2014, the Group has intensified this activity in order to ensure that new directors acquire adequate knowledge of the main issues related to the company as quickly as possible.

As in previous years, after the specific induction sessions carried out in 2014 to provide newly appointed board members with an appropriate understanding of the main sectors of activity (networks, energy and environment), during 2015 several training events were organized, as part of the Board of Directors' meetings, regarding business issues, regulatory developments, subsidiaries and investments.

5. Handling of corporate information

For the purposes of governing the communication to the sector Authorities and to the public of notices, data and price-sensitive information pertaining to the management and activities carried out, whose dissemination might have an impact on the processes used for valuing the Company's shares, and consequently on the levels of demand and supply

of those shares, on 15 February 2007 the Board of Directors adopted a specific procedure aimed at:

- i) identifying price-sensitive and confidential information;
- ii) defining procedures for authorization and management within the Group;
- iii) governing the procedures for external communication in terms of documentation, notices issued, interviews given, statements made and meetings conducted.

Additionally, in applying the new procedure adopted by Hera S.p.A. on 27 March 2006 with regard to internal dealing, and in accordance with Article 152-sexies of the Consob Issuers' Regulation, the following individuals have been identified as significant parties obliged to inform Consob of the transactions they have carried out on Hera S.p.A.'s financial instruments: the members of the Board of Directors, the Statutory Auditors and the shareholders who hold an equity investment equal to or greater than 10% of the share capital, as well as individuals closely linked to these parties.

In conformity with the provisions of the Issuers' Regulation, the timescales and procedures for communication of the operations carried out by the significant parties have been identified by the procedure adopted by Hera S.p.A. Hera S.p.A. has identified the Legal and Corporate Affairs Department as the entity responsible for receiving, managing and disseminating this type of information to the market.

The responsible entity will utilize the External Relations Department for disseminating the information to the market by means of the NIS screen-based system (Network Information System).

Furthermore, in accordance with the provisions of Article 115-bis of the Tuf and Article 152-bis of the Issuers' Regulation no.11971 of 14 May 1999, introduced by means of Consob resolution no.15232 of 29 November 2005, as of 1 April 2006 Hera S.p.A. set up the "Register of Individuals who, as a result of work or professional activities, or in relation to the functions performed, have access on a regular or occasional basis to privileged information", this being understood as information (i) of a precise nature; (ii) directly or indirectly concerning the issuer or its financial instruments; (iii) which has not been made public; and (iv) which, if made public, could considerably influence the prices of these financial instruments (price-sensitive information).

6. Internal Committees of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

The internal committees, formed in compliance with the Code of Conduct of Borsa Italiana Spa, are an internal structure of the Board of Directors with an advisory and consulting role and its membership is available on the website www.gruppohera.it.

These committees work on the basis of internal regulations and / or communicational rules towards the Board of Directors designed to guarantee correct and efficient operation.

The Board of Directors, renewed on 23 April 2014, redefined the composition of the afore-mentioned committees at its meeting of 28 April 2014.

a) Appointments Committee

It was decided that the Board of Directors would fulfill the functions of the Appointments Committee, also in view of the fact that the appointment of Board of Directors members is carried out by shareholders through list voting at the Shareholders' meeting.

b) Remuneration Committee

It is noted that, in 2015, the Remuneration Committee handled matters relating to remuneration policies, subject to approval by the Board of Directors at the time of the 2015 financial statement. For information relating to this Section, please refer to the Remuneration Report pursuant to Article 123-ter of the Tuf.

c) Controls and Risks Committee

Composition and functioning of the Controls and Risks Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

As established by the Code, the Board of Directors, at its meeting of 4 November 2002, passed a resolution to establish the Internal Controls Committee: Subsequently, during the course of the Company's Board of Directors meeting that took place 17 December 2012, in application of updates to the Code of Self-Discipline, the Internal Control Committee took on the additional function of Risk Management Committee in order to manage the Company's risks and support the administrative body in associated assessments and decisions. This Committee, whose composition was renewed on 28 April 2014, is made up of Giovanni Basile as Chairman, Massimo Giusti, Stefano Manara and Danilo Manfredi. At least one member of the Internal Control Committee has experience in accounting and financial matters judged adequate by the Board of Directors at the time of the appointment.

The Controls and Risks Committee met on 8 occasions in 2015. All the members took part in 6 of these meetings, duly recorded in the minutes, while almost all of them took part in the remaining two; The average length of the meetings of the Internal Controls Committee was approximately one hour and fifteen minutes.

Functions assigned to the Controls and Risks Committee

The Controls and Risks Committee is tasked with supporting the decisions and assessments of the Board of Directors in relation to the internal control and risk management system and concerning the approval of periodic financial reports through adequate surveying and evaluative activities.

In carrying out its supportive role in relation to the Board of Directors, the Committee therefore expresses its judgment concerning:

- a) the definition of the guidelines of the internal control and risk management system in such a way that the primary risks faced by HERA and its subsidiaries are identified correctly and properly measured, managed and monitored, determining moreover the compatibility criteria of such risks with healthy and proper corporate management;
- b) at least on a bi-annual basis, the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the enterprise and the risk profile it has assumed;
- c) on at least an annual basis, the work plan drafted by the Supervisor of the Internal Auditing Structure in consultation with the Board of Statutory Auditors and the Directors in charge of the internal control and risk management system.

In addition, in order to aid the Board of Directors, the Committee specifically:

- d) together with the Appointed Manager in charge of drafting corporate financial documents and in consultation with the legal auditor and Board of Statutory

- Auditors, evaluates the proper use of accounting principles and their homogeneity in relation to drafting balance sheets and financial statements more generally;
- e) expresses its judgment regarding specific aspects of the identification of primary corporate risks;
 - f) analyses periodic reports concerning the assessment of the internal control and risk management system as well as those drafted on at least a bi-annual basis by the Supervisor of the Internal Auditing Structure;
 - g) communicates to the Board of Directors its preventative judgment regarding the proposals developed by the Directors in charge of the internal control and risk management system in relation to measures regarding the appointment and dismissal of the Supervisor of the Internal Auditing Structure, allotting this figure adequate resources for the completion of his or her responsibilities as well as establishing appropriate remuneration in keeping with corporate policies;
 - h) monitors the autonomy, effectiveness and efficiency of the Internal Auditing Structure;
 - i) evaluates the findings of the Internal Auditing Structure Supervisor's reports, of statements from the Board of Statutory Auditors and each of its individual members, of reports and any possible management letters from Independent Auditors, and of surveys and investigations carried out by other committees of the company and third parties;
 - j) may ask the Internal Auditing Structure to perform checks on specific operational areas, contextually communicating the results to the president of the Board of Statutory Auditors;
 - k) communicates to the Board of Directors about the activities performed by and the adequacy of the internal control and risk management system at least on the occasion of the annual and bi-annual approval of the financial statement.

During the course of the meetings held during 2015 financial year, which were duly recorded, the following measures were carried out:

- evaluation of the effectiveness of the Internal Control System;
- preparation of the periodic Reports of the Internal Auditing Department;
- preparation of the periodic Reports of the Internal Controls and Risks Committee;

The Committee also examined the audit reports, held regular meetings with the head of Internal Auditing for Hera, AcegasApsAmga Spa, the Board of Statutory Auditors and the Independent Auditors, met with the Chief Financial Officer, carried out the risk assessment and prepared the three-year plan, prepared the 2016 Business Plan and budget of the Internal Auditing Department.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the Chairman and, at the express invitation of the Chairman of the Committee, the Chairman of the Board of Directors and the Group CEO, attend the Committee's meetings.

In the performance of its functions, the Controls and Risks Committee had access to the information and business functions necessary for carrying out its duties.

In relation to the 2015 financial year and following the quarterly reports released by the Controls and Risks Committee, the Board of Directors has approved the adequacy, efficacy and effective functioning of the internal control and risk management system in relation to the features of the company and the type of risks it takes on.

d) Ethics Committee

Composition and functioning

During its meeting of 12 September 2007, the Board of Directors of Hera S.p.A. established the text of the mission and values and working principles of the Group, and consequently approved the updated version of the Code of Ethics that constitutes a "social responsibility" tool for the Company in implementing ethical principles inspired by good practices and aimed at the pursuit of the Company's mission.

Consequently, in application of Article 60 of the aforementioned Code, the Board of Directors, at its meeting of 8 October 2007, set up a suitable Committee, whose composition was renewed on 28 April 2014. This Committee comprises a director of Hera S.p.A. in the person of Massimo Giusti, Mario Viviani, and a manager with expertise in matters of social responsibility.

The Board of Directors of Hera S.p.A., at its meeting of 26 January 2011, at the end of the three-year experimental phase of using the Code of Ethics, adopted an updated text of the Code with a view to implementing it within the Company.

In 2013, following a second three-year period of application, the Code of Ethics was again assessed and updated in line with Article 79 of the Code. This second update was carried out by involving employees to an even greater degree, with the objective of defining standards of conduct that are as shared as possible within the Group.

In 2014 the code was subjected to an additional update concentrating on a number of technical as well as value-based and cultural aspects.

The Board of Directors met on 8 occasions in 2015, and all of the meetings were attended by all members. The average duration of the meetings of the Ethics Committee was approximately one hour and thirty minutes

Functions of the Ethics Committee

The Ethics Committee is responsible for monitoring the dissemination and implementation of as well as compliance with the principles of the code of ethics. Since 2008, the year the Code of Ethics came into effect, an ethics committee was established for which Whistleblowing policies are in effect, designed to provide a confidential and direct channel of communication with the committee for all the stakeholders interested in reporting any possible conduct in violation of the code and the values promoted by the Group.

In the meetings held during the course of the financial year the Committee closely examined new reports and updated those already in progress.

7. Internal Control and Risk Management System

The Hera Group is committed to promoting and maintaining a suitable internal control and risk management system understood as a collection of regulations, procedures and organizational structures aimed at allowing the business to be run in a manner that is consistent with the objectives established by the Board of Directors through the identification, evaluation, management and monitoring of the primary risks.

In its meeting of 24 July 2013, The Hera S.p.A. Board of Directors approved the guidelines for the Hera Group Internal Control and Risk Management System, which constitute the disciplinary framework of reference under which the Hera Group adopts uniform organizational and management rules in the area of internal control and risk management, simultaneously emphasizing the role of strategic direction played by the

Board of Directors of the parent company and explicitly defining the responsibilities and tasks of each actor involved in implementing the Control System.

On 11 November 2015, the Board of Directors approved the internal audit activities plan for the 2016-2018 three-year period, and on 21 December 2015 approved the specific work plan for the year 2016.

The Internal Control and Risk Management System is integrated into the broader organizational and corporate governance structures adopted by Hera and duly considers the recommendations of the Corporate Governance Code for Borsa Italiana Spa listed companies, reference models and best practices at national and international levels.

On 24 March 2011, the Board of Directors of Hera S.p.A. created the Hera Group Risk Committee, defining its components, aims and operational modes.

The Hera S.p.A President and CEO oversee, within their scope of responsibility, the functionality of the internal control and risk management system.

The Risk Committee meets periodically multiple times throughout the year and comprises:

- Hera S.p.A President;
- Hera S.p.A CEO;
- Hera S.p.A Vice President;
- Market Central Director;
- Administration, Finance and Control General Director;
- Enterprise Risk Manager.

Additionally, in relation to specific domains of responsibility, the following may also participate:

- Hera Trading S.r.l CEO;
- Legal and Corporate Central Director;
- Innovation Central Director;
- Corporate Systems Central Director.

The Risk Committee represents the main body in charge of guiding, monitoring and providing information about strategies of risk management and is responsible for:

- defining the general guidelines for the Risk Management process;
- providing for the mapping and monitoring of corporate risks;
- ensuring the definition of Risk Policies and measurement parameters to be submitted for approval by the Hera S.p.A. Board of Directors;
- providing for the bi-annual accounting submitted to the Hera S.p.A. Board of Directors;
- defining and ensuring information protocols directed to the Controls and Risks Committee, the Internal Auditing Management and the Board of Statutory Auditors.

Relevant risks handled by the Risk Committee pertain to the following areas: strategic, energy, finance, credit, insurance, information and communication, technology, safety and the environment, and business continuity.

The Hera Spa Board of Directors, in its meeting of 13, May 2015, approved the Enterprise Risk Management (ERM) process, and, in the meeting of the Board of Directors of 20, January 2016 the board approved the Hera Group Guideline "Group Risk

Management Policy "aimed at outlining the guidelines for risk management at the Group level.

a) The risk management and internal control system in relation to the financial information process

Introduction

The internal control and risk management system specific to financial reporting is designed to ensure the reliability, accuracy and timeliness of company information on financial statements and the ability of the relevant business processes to produce such information in accordance with the Group's accounting principles.

The internal control and risk management system in relation to Hera's financial information process is inspired by the CoSO Framework (issued by the Committee of Sponsoring Organizations of the Treadway Commission), an internationally recognized model.

The definition of the internal control and risk management system was established in keeping with applicable norms and regulations:

- Legislative Decree no. 58 of 24 February 1998 (Tuf) - article 154-bis of the TUF; ;
- Law no. 262 of 28 December 2005 (and subsequent modifications, including the legislative decree to assimilate the Transparency Directive (2004/109/CE) regarding information on listed companies, approved on 30 October 2007, regarding the drafting of corporate financial document . ;
- Consob Issuers' Regulation of 4 May 2007 "Statement of the Appointed Manager in charge of drafting corporate financial documents and of the designated administrative authorities in relation to financial and consolidated financial statements as well as to the biannual report, in compliance with article 154-bis of the Tuf"; ;
- Consob Issuers' Regulation of 6 April 2009 "Assimilation of the Transparency Directive 2004/109/CE concerning the harmonization of transparency requirements in relation to information about the issuers whose movable value are permitted to enter negotiations in a regulated market, modifying directive 2001/34/EC";
- the Civil Code, which extends responsibility to the Appointed Managers in charge of drafting corporate financial documents (Article 2434 c.c.) for corporate management, for disloyalty crime originating from conferred or promised utility (Article 2635 c.c.) and for the crime of obstructing the functions of public and surveillance authorities (Article 2638 c.c.); . . ;
- Legislative Decree 231/2001 that references the above-mentioned regulations of the Civil Code and the administrative responsibility of legal subjects for crimes committed against the Public Administration and includes the Appointed Manager in charge of drafting corporate financial documents among the Apical Subjects.

Moreover, in the implementation of the system, the Group has taken under consideration the recommendations provided by some authorities in the sector (Andaf, AIIA and Confindustria) concerning the activities of the Appointed Manager.

Description of the primary features of the internal control and risk management system in relation to the financial information process

As part of the internal control and risk management system pertaining to the financial information process, the Appointed Manager has set up an administrative and financial

control Model - Regulation of the Appointed Manager for drafting corporate financial documents (hereafter also "The Model") approved by the Hera spa Board of Directors in the meeting held 15 May 2013, outlining the adopted method and associated roles and responsibilities in relation to defining, implementing, monitoring and updating the financial-administrative procedural system over time and in assessing its adequacy and effectiveness.

Hera's administrative and financial control Model defines a methodological approach for the internal control and risk management system in relation to financial information processes that is structured through the following steps:

1. Risk assessment for the identification and evaluation of risks regarding company information;
2. Identifying controls and updates for the financial-administrative procedures in view of the identified risks;
3. Evaluation of the identified risks.

Step 1: Risk Assessment

represents the process of identifying the risks connected to the financial statement (risks of unintentional errors or fraud) that might have an effect on the financial statement, and is carried out under the supervision of the Appointed Manager, at least on an annual basis.

This process aims at identifying the set of objectives that the system seeks to pursue in order to ensure a truthful and accurate representation. Risk Assessments, carried out according to a top-down approach, concentrates on those areas of the financial statement wherein potential effects on financial information have been located in relation to the failure to achieve these control objectives.

As part of the process of Risk Assessment, the following tasks are carried out:

- identifying the Group companies considered relevant in view of the proper functioning of the Group's control system for corporate reporting;
- identifying the list of corporate processes that have been identified as relevant in view of the proper functioning of the Group's financial and administrative control system;
- a review of the overall adequacy of the current Financial and Administrative Control Model.

The process for determining the scope of the Companies and relevant processes in terms of their potential impact on the financial statement is aimed at identifying the Subsidiary Companies, the accounts and processes associated with them, and any other financial information considered to be relevant. The evaluations are carried out using both quantitative standards and qualitative parameters.

Step 2: Identifying controls and updates for the financial-administrative procedures

In relation to companies, statement items and processes that are considered relevant, the necessary checks for mitigating the risks identified in the previous step are carried out taking into consideration the control objectives associated with financial reporting.

Based on the above, Hera SpA has established an internal control system under which the directors of corporate functions periodically verify the design and operating effectiveness of control activities, each for the areas under his or her jurisdiction.

The results of periodical updates applied to procedures and associated controls are communicated to the Appointed Manager by the directors of corporate departments. The directors of corporate departments provide for updating/modifying the financial-administrative procedures in relation to the areas under their managerial responsibility on a regular basis.

Step 3: Periodic evaluation of financial-administrative procedures and the controls they contain

The identified controls are periodically assessed in terms of their adequacy and actual effectiveness through specific testing activities according to the best practices established for the area in question.

In the course of these activities, the Appointed Manager evaluates at each given time what degree of involvement, of the directors of corporate departments and of contact persons within the Subsidiary Companies, is necessary for carrying out assessment activities.

On a bi-annual basis, the Hera Spa Appointed Manager and CEO receive specific internal statements from Hera Group subsidiary companies and relevant connected companies in reference to the completeness and reliability of information flows for the purposes of financial reporting.

On a bi-annual basis, the Appointed Manager defines a series of reports synthesizing the results of the assessments of controls in relation to the risks previously identified on the basis of the outcomes of the monitoring activities performed.

After having been shared with the CEO, the prepared Executive Summary is communicated to Hera Spa's Board of Statutory Auditors, the Controls and Risks Committee and the Board of Directors.

Roles and functions involved

The internal control and risk management system concerning financial reporting is governed by the Appointed Manager in charge of drafting corporate financial documents who, in agreement with the CEO, is responsible for planning, implementing, monitoring, and updating the financial and administrative control Model over time.

In performing his or her activities, the Appointed Manager:

- is supported by a specific function called "Compliance 262," part of the staff of the Administration, Finance and Control Group Director, established by SO no. 49 of 30 October 2013, and effective as of 1 November 2013;
- is supported by the directors of corporate departments who, within their areas of responsibility, ensure the completeness and reliability of information flows directed toward the Appointed Manager for the purposes of preparing the financial reporting documents;
- coordinates the activities of the Administrative Managers of the relevant subsidiaries who are tasked with implementing, within their companies, and together with the delegated bodies, an adequate financial control system to safeguard the administrative-financial processes;

- initiates a reciprocal information exchange with the Controls and Risks Committee and the Board of Directors, communicating about the activities performed and the adequacy of the financial and administrative control system.

Lastly, the Board of Statutory Auditors and Supervisory Board are informed about the adequacy and reliability of the financial-administrative system.

b) Administrator in charge of the internal control and risk management system

Most recently with the resolution of 28 April 2014, the Board of Directors has set forth that, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, the Chairman and CEO are charged, as far as their authority permits, with establishing and maintaining the Internal Control and Risk Management Systems.

The Chairman and CEO, in keeping with their mandates:

- ensure that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically present those risks for examination by the Board of Directors,
- implement the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their appropriateness, effectiveness and efficiency,

The corporate heads may request that the Internal Auditing Manager carry out operations (concerning risk assessment) on specific operational areas and compliance with internal rules and procedures in carrying out corporate operations.

c) Internal auditing department manager

In order to ensure an adequate functioning of the internal control and risk management system, the Internal Auditing department, whose manager reports directly to the Vice President, ensures that the internal control system is always adequate, fully operational and functions in such a way as to achieve an acceptable level of overall risk.

The Internal Auditing Manager provides a report on his or her activities, every three months or whenever he or she considers it necessary, to the CEO, the Chairman of the Board of Directors, the Internal Controls and Risk Management Committee and the Board of Statutory Auditors. He or she is hierarchically independent of the heads of operational divisions and may have direct access to all information necessary for the performance of his or her duties.

Through the establishment of an adequate Risk Assessment and three-yearly Audit Plan:

- provides a synthetic and comparative assessment of the primary risk areas and associated control systems, performing updates through the meetings that take place with management;
- according to the varying level of risk of corporate processes, prioritizes the duties of the Internal Auditing department.

d) Organisational model pursuant to Legislative Decree no. 231/2001 .

Legislative Decree no. 231/2001 introduced into Italian legislation the administrative responsibility of legal entities, companies and associations. In particular, the law introduced the criminal liability of entities for certain offences committed in the interest or

to the advantage of those entities by persons fulfilling roles of representation, administration or management of the entity or of one of its organisational units with financial and operational independence, or by persons who exercise management and control thereof, including on a de facto basis, and lastly, by persons subject to the direction or supervision of one of the above-mentioned parties. Significant offences are those committed against Public Administration and corporate offences committed in the interest of the companies. .

However, Articles 6 and 7 of Legislative Decree no. 231/2001 provide for a form of exoneration from liability where (i) the entity proves that it adopted and efficiently implemented, prior to the commission of the act, appropriate organisational, management and control models for preventing the perpetration of the offences considered by the said decree; and (ii) the duty of supervising the functioning of and compliance with the models, as well as providing for their updating, is entrusted to a body of the entity that is vested with autonomous powers of initiative and control.

To this end, on 16 February 2004, the Board of Directors of Hera S.p.A. approved and subsequently updated, also in the light of the provisions introduced by Law no. 123/07 and Legislative Decree no. 190/2012, the organisational, management and control model pursuant to Legislative Decree no. 231/2001, with the aim of creating a structured and organic system of control procedures and activities to prevent commission of the offences referred to in the aforementioned decree, by identifying the activities exposed to a risk of offence and implementing suitable procedures for those activities. At present, the organisational, management and control model pursuant to Legislative Decree no. 231/2001 comprises 24 protocols. The organizational, management and model

The organisational, management and control model pursuant to Legislative Decree no. 231/2001 has also been adopted by subsidiaries with strategic importance.

Consequently, the Board of Directors set up the supervisory board, renewed 23 April 2014, comprising the head of Internal Auditing of Hera S.p.A. as Chairman, the head of Legal and Corporate Affairs of Hera S.p.A. and an external member, to which the aforementioned duties are entrusted, including the task of periodically reporting to the corporate bodies of Hera S.p.A. on the implementation of said model.

The supervisory board met on 6 occasions in 2015 and all these meetings were attended by all the members.

The average length of the meetings of the supervisory board was approximately one hour and fifteen minutes.

The Supervisory Board updated the 231 protocols that make up the organisational model. The Supervisory Board also examined the system of information flows that allow it to supervise the functioning of and compliance with the models, as well as examining the reports that followed from the audits and examining legislative developments pursuant to Legislative Decree 231/2001 and planning further activities.

In order to carry out the checks and controls, the Supervisory Board drew up a schedule of measures for checking compliance with the protocols adopted.

e) Independent Auditors

The Hera Spa Shareholder's meeting of 23 April 2014 appointed Deloitte&Touche Spa to the role of independent auditor for the 2015-2023 financial years.

f) Appointed Manager in charge of drafting corporate financial reports and other corporate roles and functions.

In compliance with the provisions of the Tuf and the Company's Articles of Association, in consultation with the Board of Statutory Auditors, the Board of Directors resolved on 1 October 2014 to appoint Luca Moroni to the role of Finance and Control Administration Central Director, in the post of Appointed Manager in charge of drafting corporate financial reports. He is in possession of the professional qualifications set forth in Article 29 of the Company's Articles of Association, in compliance with the Tuf (Article 154-bis, paragraph 1).

The Appointed Manager is additionally responsible for establishing adequate financial-administrative procedures for the creation of the financial statement and consolidated financial statement as well as any other financial communication. To this end, the Appointed Manager will have access to a dedicated budget approved by the Board of Directors and an adequate (in terms of quantity and quality of resources) organizational structure dedicated to the preparation/updating of financial-administrative procedures and periodical assessment activities concerning the suitability and actual application of financial-administrative rules and procedures. If the internal resources prove to be insufficient for the suitable management of these activities, the Appointed Manager is permitted to exercise the power of expenditure granted to him or her. .

The Board of Directors verify that the Appointed Manager has access to adequate powers and means to carry out the tasks entrusted to him or her by Article . 154-bis, and also monitor that financial and administrative procedures are being followed.

The Appointed Manager communicates and exchanges information with all the administrative and control bodies of the Company and of the Group's subsidiaries, including but not limited to:

- Board of Directors;
- Controls and Risks Committee;
- Directors in charge of the internal control and risk management system;
- Board of Statutory Auditors;
- Independent Auditor;
- Supervisory Board pursuant to Legislative Decree no. 231/01; . ;
- Internal Auditing Manager;
- Investor Relations Manager.

g) Coordination among the subjects involved in the internal control and risk management system.

The Issuer has established the following systematic coordination modes for the various subjects involved in the internal control and risk management system:

- periodic coordination meetings focused in particular on the process of drafting financial reporting and the activities of assessing, monitoring and containing (economic-financial, operational and compliance) risks;
- information flows among the subjects involved in the internal control and risk management system;
- periodic reports to the Board of Directors;
- establishment of a Risk Committee with the aim of outlining guidelines for monitoring and informing about risk management strategies.

In particular, the following types of coordination meeting are specified:

- the Board of Statutory Auditors with the Controls and Risks Committee, the Independent Auditor, the Appointed Manager in charge of drafting corporate financial reports, and the Internal Auditing Manager;

- the Board of Statutory Auditors with the Supervisory Board pursuant to Legislative Decree 231;
- The Directors in charge of the internal control and risk management system with the Chairman of the Controls and Risks Committee.

8. Appointment of the statutory auditors

The auditors are appointed by the shareholders' meeting on the basis of the voting list system set forth in Article 26 of the Statute. In particular, municipalities, provinces and consortia constituted pursuant to Article 31 of Legislative Decree no. 267/2000 or other entities or public authorities, as well as consortia or joint-stock companies controlled, directly or indirectly, by these may present a single list and (ii) the shareholders not indicated in (i) may submit lists provided that they represent at least 1% of the shares with voting rights or the percentage established by current regulation and indicated in the notice concerning the meeting.

The composition of the Board of Statutory Auditors, beginning from the first renewal of this board following the effective date of Law 120/2012, and therefore with effect beginning from the shareholders' meeting called to approve the Financial Statement as at 31 December 2013, and with reference to its first three consecutive terms, complies with current regulations relating to gender balance.

The lists must be delivered to the registered office at least 25 days before the date set for the meeting, together with the curriculum vitae of the candidates and a declaration from each individual candidates stating that he or she accepts the office and certifying that there are no causes of ineligibility, incompatibility or revocation as established by law, and the existence of the requirements of integrity and professionalism required by law for members of the Board of Statutory Auditors. The lists must also be accompanied by a statement certifying that there are no agreements or connections of any kind with other shareholders who have presented other lists, and a list of the administrative and control positions held by the candidates in other companies. These lists must be made available to the public at the registered offices and on the website www.gruppohera.it, no less than 21 days prior to the date of the Shareholders' Meeting.

In the event of the replacement of a sitting Statutory Auditor, he or she will be succeeded by the alternate Auditor belonging to the same list as the Auditor to be replaced, respecting the principles of minority representation and gender balance.

For the purposes of the provisions of legislation in force concerning the requirements of professionalism for members of the Board of Statutory Auditors of listed companies, "business matters and sectors strictly pertaining to the activities performed by the Company" means the business matters and sectors associated with or pertaining to the activity performed by the Company and cited in Article 4 of the Articles of Association. .

The office of Statutory Auditor is incompatible with the offices of councilor or alderman in regional public authorities, as well as with that of Statutory Auditor in more than three listed companies other than subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code and Article 93 of Legislative Decree no. 58/98. In the latter case, a Statutory Auditor who subsequently exceeds this limit will automatically forfeit the office of Statutory Auditor of the Company.

Composition and functioning of the Board of Statutory Auditors (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

The Board of Statutory Auditors comprises three statutory members and two alternate members. The Board of Statutory Auditors, whose term expired upon approval of the

financial statements for the year ended 31 December 2013, was renewed during the course of the Shareholders' Meeting of 23 April 2014 and will remain in office until the approval of the financial statements for the 2016 financial year.

The Board of Statutory Auditors, in conformity with the provisions contained in Article 8 of the Code, has checked the correct application of the criteria and assessment procedures adopted for ascertaining the independence of its members including for the purposes of Article 144-novies of the Issuer's Regulation.

The table below shows the current composition of the Board of Statutory Auditors, noting that the personal and professional details of each member are available on the website www.gruppohera.it.

The Board of Statutory Auditors met 17 times in 2015; 13 of these meetings were attended by all statutory auditors, while 4 were attended by almost all of them. The average duration of the meetings of the Board of Statutory Auditors was approximately two hours and ten minutes.

There is a voting trust and share transfer rules agreement in place between the public shareholders which governs the procedures for drawing up the list for the appointment of two statutory members and one alternate member of the Board of Statutory Auditors.

There is also a consultation agreement in existence, signed on 22 February 2016 by five minority shareholders of Hera S.p.A., concerning the appointment of members of the Board of Statutory Auditors.

In carrying out its activities, the Board of Statutory Auditors coordinates with the Internal Audit Department and the Controls and Risks Committee.

9. Relations with shareholders

To enable shareholders to understand the Company more fully, the Company has established a suitable department dedicated to relations with investors, headed by and entrusted to Jens Klint Hansen (the investor relator can be contacted by telephone on +39 051 287737 or by email at ir@gruppohera.it).

10. Shareholders' meetings (pursuant to Article 123-bis, paragraph 2, letter c) of the Tuf)

Ordinary and extraordinary shareholders' meetings are called in the circumstances and manner provided for by law. They are held at the registered offices or elsewhere in Italy.

The right to take part in shareholders' meetings is enjoyed by shareholders with legitimate entitlement under the rules applicable at any given moment.

Ordinary and extraordinary shareholders' meetings and the related resolutions are valid if the quorum and majority conditions established by law are satisfied.

The resolutions of extraordinary shareholders' meetings concerning the modification of Article 6 ("Shares"), Article 7 ("Public majority shareholding"), Article 8 ("Limits on shareholdings"), Article 14 ("Validity of Shareholders' Meetings and rights of veto") and Article 17 ("Appointment of the Board of Directors") of the Articles of Association will be valid if they are passed on the basis of a vote in favour by attending shareholders representing at least three-quarters (rounded if necessary) of those with voting rights.

The shareholders' meeting of 29 April 2003 approved the text of the meeting regulations, which indicate the procedures to be followed in order to permit the orderly and proper functioning of meetings, without prejudicing the right of each shareholder to express his or her opinion on the matters under discussion.

The shareholders' meeting of 27 January 2011 modified the text of the regulations in order to take into account the new provisions introduced by Legislative Decree no. 27 of 27 January 2010 concerning the "Implementation of Directive 2007/36/EC ("Shareholders' rights directive"), as well as to adapt the regulations to certain organizational requirements. The new, updated version is published on the Company's website at www.gruppohera.it.

During the 2015 financial year, one shareholders' meeting was held on 28 April, which was attended by 12 directors.

Table 1: structure of the Board of Directors and Committees

Board of directors											Risks and control committee			Remun. Committee		Appointment Committee		Executive Committee		Ethics committee	
Office	Member	Date of birth	Date of first nomination	In office since	In office until	List **	Exec.	Non exec.	Indep. Code	Indep. TUF	Number of other offices held	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Tomaso Tommasi di Vignano	1947	04-nov-02	23-apr-14	Appr. F.S. 2016	M	X				1	10/10						P	4/4		
CEO	Stefano Venier	1963	23-apr-14	23-apr-14	Appr. F.S. 2016	M	X				-	10/10						M	4/4		
Vice Pres.	Giovanni Basile	1965	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10	P	8/8	P	3/3		M	4/4		
Director	Mara Bernardini	1957	01-gen-06	23-apr-14	Appr. F.S. 2016	m		X	X	X	1	10/10			M	2/3					
Director	Forte Cio	1951	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10									
Director	Giorgia Gagliardi	1982	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10									
Director	Massimo Giusti	1967	23-apr-14	23-apr-14	Appr. F.S. 2016	m		X	X	X	-	9/10	M	8/8					P	8/8	
Director	Riccardo Ily	1955	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10						M	4/4		
Director	Stefano Manara	1968	28-ago-13	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10	M	7/8							
Director	Luca Mandrioli	1967	29-apr-11	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10			M	3/3					
Director	Daniilo Manfredi	1969	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	9/10	M	7/8							
Director	Cesare Pillon	1953	01-gen-13	23-apr-14	Appr. F.S. 2016	M		X			-	10/10			M	3/3					
Director	Tiziana Primoni	1959	23-apr-14	23-apr-14	Appr. F.S. 2016	M		X	X	X	-	10/10									
Director	Bruno Tani	1949	27-apr-06	23-apr-14	Appr. F.S. 2016	m		X	X	X	-	9/10									
Indicate the quorum required for the presentation of the lists for the last appointment: the lists can be presented by shareholders who hold at least 1% of the voting shares in the ordinary shareholders' meeting																					
Number of meetings held during the year in question						BoD 10			RCC: 8		RC: 3		AC: /		CE: 4		Ethics C: 8				

* The date of first appointment of each director refers to the date on which the director was appointed for the first time (ever) to the company's Board of Directors.

** This column shows the list from which each director was taken ("M": the majority list; "m" minority list; "CdA": the list submitted by the Board of Directors).

*** This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large enterprises. The positions are described in full in the report on corporate governance.

(*) This column indicates the percentage of attendance by directors at the meetings of the Board of Directors and of the Committees (indicate the number of attended meetings as compared the total number of meetings that he or she could have attended, e.g.. 6/8; 8/8 etc..).

(**) This column indicates the role played by the director on the Board: "P": Chairman, "M": member.

Table 2: structure of the Board of Statutory Auditors

Board of Statutory Auditors									
Office	Member	Date of birth	Date of first appointment *	In office since	In office until	List **	Indep. Code	*** (%)	No. of other offices ****
Chairman	Santi Sergio	1943	16-ott-03	23-apr-14	Appr. F.S. 2016	m	X	15/17	-
Standing statutory auditors	Girolomini Marianna	1970	23-apr-14	23-apr-14	Appr. F.S. 2016	M	X	16/17	-
Standing statutory auditors	Gaiani Antonio	1965	23-apr-14	23-apr-14	Appr. F.S. 2016	M	X	16/17	-
Alternate statutory auditors	Frasnedi Violetta	1972	23-apr-14	23-apr-14	Appr. F.S. 2016	m	X	-	-
Alternate statutory auditors	Bortolotti Valeria	1950	23-apr-14	23-apr-14	Appr. F.S. 2016	M	X	-	-

Indicate the quorum required to present lists for the last appointment:

Article 26 of the Statute specifies that (i) municipalities, provinces and consortia constituted pursuant to art. 31 of Legislative Decree. no. 267/2000 or Agencies or Public Authorities, as well as consortia or companies controlled directly or indirectly by these are allowed to present a single list and (ii) the shareholders other than those listed in (i) may present lists provided that they represent at least 3% of the shares entitled to vote (percentage reduced to 1% by Consob Resolution no. 18775 of 29/01/2014)

Number of meetings held during the financial year in question: 17

* The date of first appointment of each statutory auditor refers to the date on which he or she was appointed for the first time (ever) to the company's Board of Statutory Auditors.

** This column shows the list from which each auditor was taken ("M": the majority list; "m" minority list).

(***) This column indicates the degree of participation of the auditor in meetings of the Board of Statutory Auditors.

**** This column indicates the number of offices as director or statutory auditor held by the person concerned pursuant to Article. 148 bis of the TUF and associated implementation regulations contained in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation. .

1.12 SHAREHOLDERS' MEETING RESOLUTIONS

The Hera Spa Shareholders' Meeting:

- having acknowledged the Board of Directors' report;
- having acknowledged the Statutory Auditors' report;
- having acknowledged the Independent Auditors' report;
- having examined the financial statements at 31 December 2015, which closes with profits totalling €171,977,932.13;

resolves

- to approve Hera Spa's financial statements as at 31 December 2015 and the corporate governance report prepared by the Board of Directors;
- to allocate profits for the 1 January 2015 – 31 December 2015 financial year, for a total of €171,977,932.13 as follows:
 - €8,598,896.61 to the legal reserve; and
 - €0.09 gross distributed to each ordinary share outstanding (excluding, that is, treasury shares held in the company's portfolio) on the day of payment for said dividend; and
 - €29,320,548.47 to the extraordinary reserve.

The total dividend paid out therefore amounts to €134,058,487.05, corresponding to €0.09 for each ordinary share outstanding (excluding, that is, treasury shares held in the company's portfolio);

- to establish 22 June 2016 as the initial date for dividend payment, and 20 June 2016 as ex-dividend date for coupon no. 14, dividends being paid to shares recorded at 21 June 2016.
- to grant a mandate to the Board of Directors, and its Chairman, to ascertain in due time, in accordance with the definitive number of shares outstanding, the exact amount of profits to be distributed, and therefore the exact amount of the extraordinary reserve.

1.13 NOTICE CONVENING THE SHAREHOLDERS' MEETING

Dear Shareholders, you are called to an Extraordinary and Ordinary Shareholders' Meeting at the registered office of *Hera S.p.A. – Viale C. Berti Pichat n. 2/4, Bologna* – at the “Spazio Hera” – on **28 April 2016 at 10.00 in a single call** to discuss and resolve the following matters:

Agenda

Ordinary Part

1. Financial statements as of 31 December 2015, Directors' Report, proposal to distribute profits and report of the Board of Statutory Auditors and Independent Auditors: related and consequent resolutions; Presentation of the consolidated financial statements at 31 December 2015.
2. Presentation of the corporate governance report and non-binding resolution concerning remuneration policy.
3. Renewal of the authorisation to purchase treasury shares and procedures for arrangement of the same: related and consequent resolutions.

Extraordinary Part

1. Amendment of article 4 of the Articles of Association: related and consequent resolutions.

The full text of the proposed resolutions, together with the related reports and the documents which will be put to the meeting, are available to the public at the company headquarters, and on the Company website (www.gruppohera.it) as well as on the authorised storage website 1Info (www.1Info.it), under the legal terms foreseen for each of the subjects treated.

Right to attend and participation by proxy

Those who are entitled to vote at the end of the accounting day of 19 April 2016 (record date) and those from whom the Company has received the relevant notification from an authorised intermediary by the end of the third day the market is open prior to the date set for the meeting, i.e. 25 April 2015, are eligible to attend the Shareholders' Meeting. Legitimacy to participate and to vote in any case remains if the communications are received after said term, as long as this occurs before the start of the proceedings of the meeting. Those who only become shareholders following 19 April 2016 will not have the right to take part in and vote at the meeting.

Each person entitled to take part can nominate a representative to attend the Shareholders' Meeting, pursuant to the law, with the right to use the proxy form available on the Company's website for this purpose. Details as to how the company can be notified electronically about proxies are also available.

The Company has appointed Computershare S.p.A. as a representative whom shareholders with voting rights can, by 26 April 2016, nominate as a proxy with instructions for voting on all or some of the proposals on the agenda. The proxy for the above-mentioned representative must be conferred using the methods in the dedicated proxy form available on the Company's website www.gruppohera.it.

The proxy for the appointed representative is not effective with regard to proposals for which voting instructions have not been given.

Other shareholders' rights

Shareholders may also submit questions on agenda items before the date of the meeting, provided this is done by 25 April 2016 and in accordance with the procedures set forth on the Company's website www.gruppohera.it.

Shareholders who, even jointly, represent one fortieth of the share capital, can request, within 10 days of the publication of this notice, the inclusion of subjects to be discussed, indicating the further topics proposed in the request, or can submit proposals for approval on the items already on the agenda. Requests should be submitted in writing through the methods indicated on the Company's website www.gruppohera.it.

The Executive Chairman of the Board of Directors
(Mr. Tomaso Tommasi di Vignano)