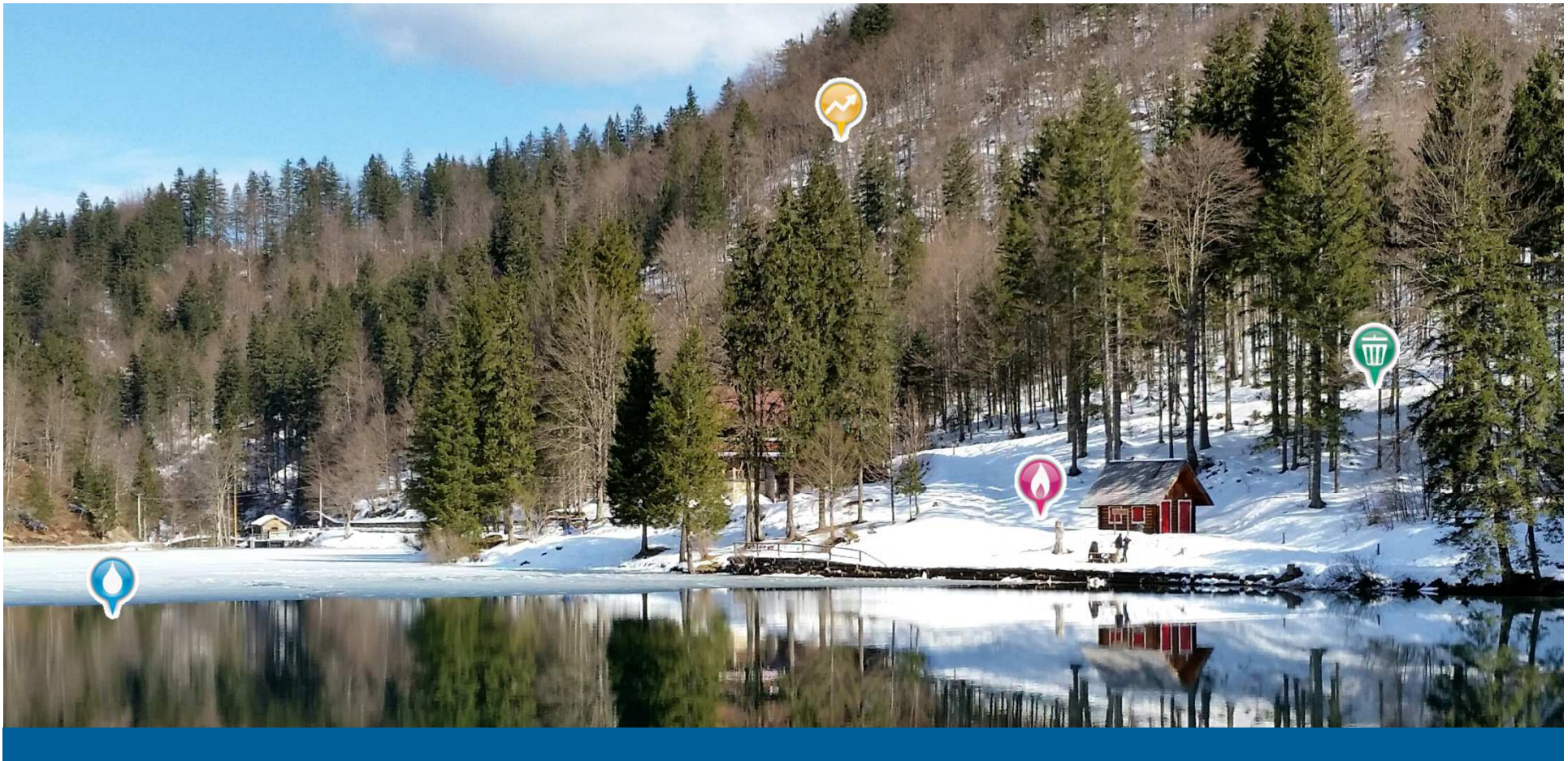

2015 double voting rights

April 2015

A step forward

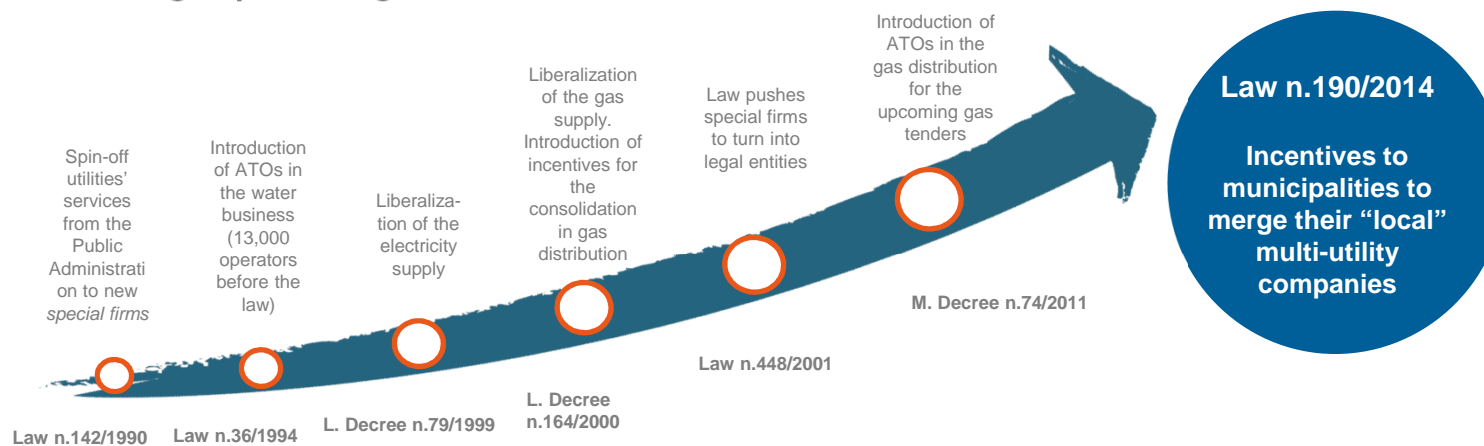




Italian multi-utility sector is changing and major changes are expected

- Utility sector still highly fragmented vs UE average (more than 1,200 Italian local players)
- “Localism” slows down sector consolidation progress
- UE and ECB are calling for structural reforms
- Italian recent law promotes sector evolution

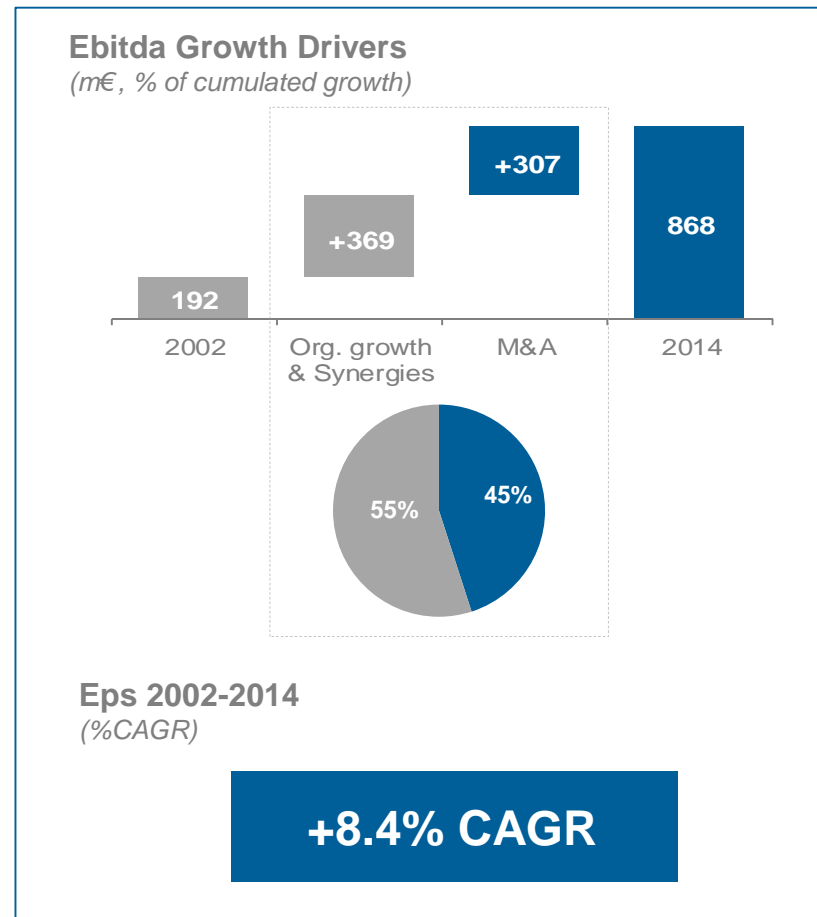
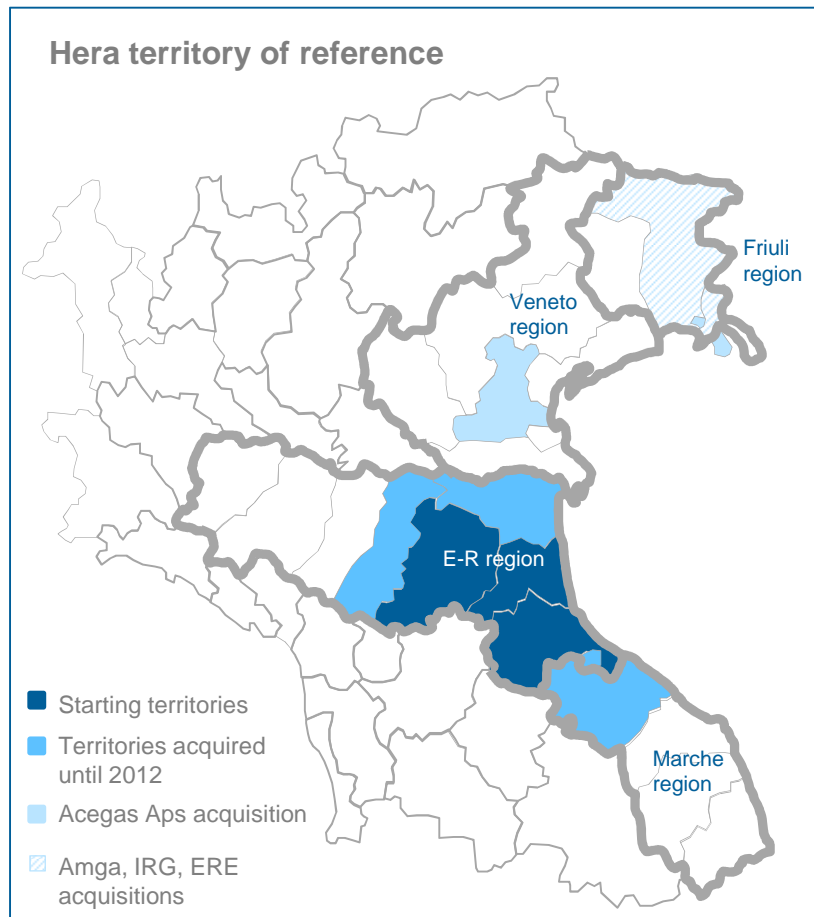
Laws aiming at promoting the sector consolidation



**Industry perspective: “Consolidation”,
as for other UE country experience**

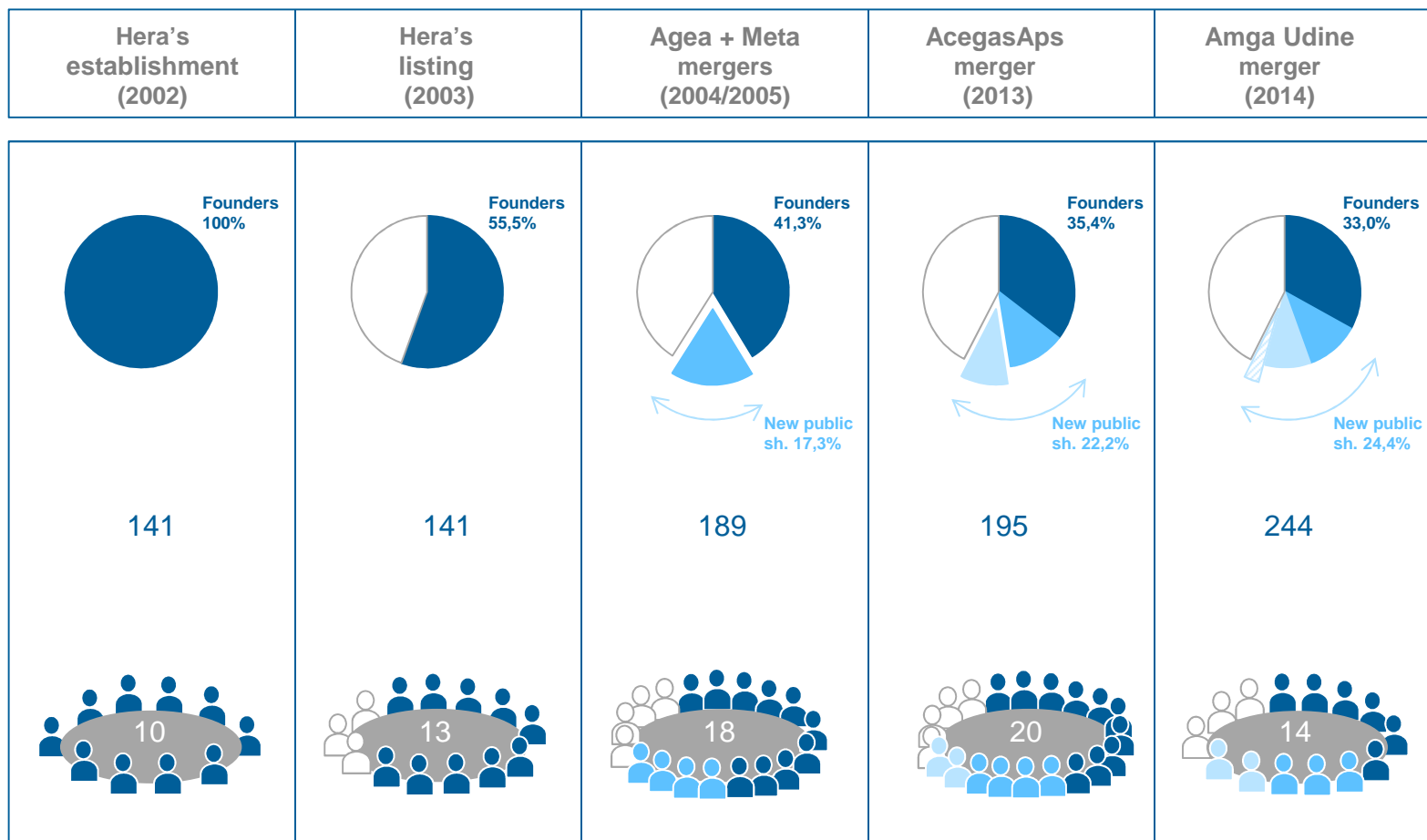
Hera has proved to be Italian main consolidator

Established through the first large merger among 11 multi-utilities and developed merging further ~10 local players.



➔ With a proven integration model to create value for all stakeholders

Founding public shareholders progressively diluted in Hera due to M&A



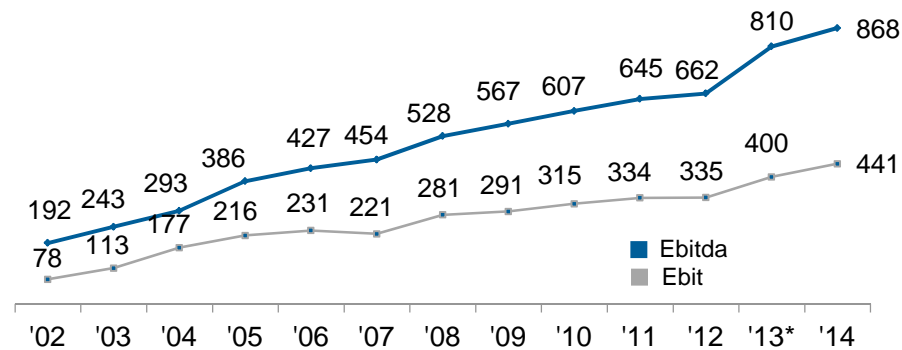
➔ Public shareholders focus on value creation accepting stake dilution

Institutional Investors
 Hera founding Public Sh.
 Agea and Meta Public Sh.
 AcegasAps Public Sh.
 AMGA Udine Public Sh.

Hera's track record in this context

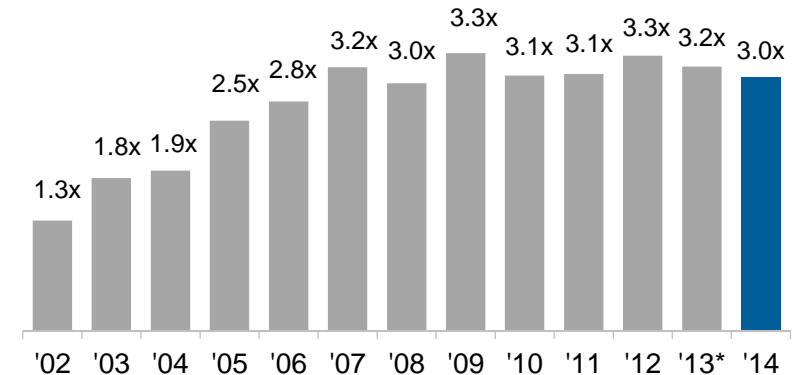
Ever growing results despite prolonged crisis

(M€)



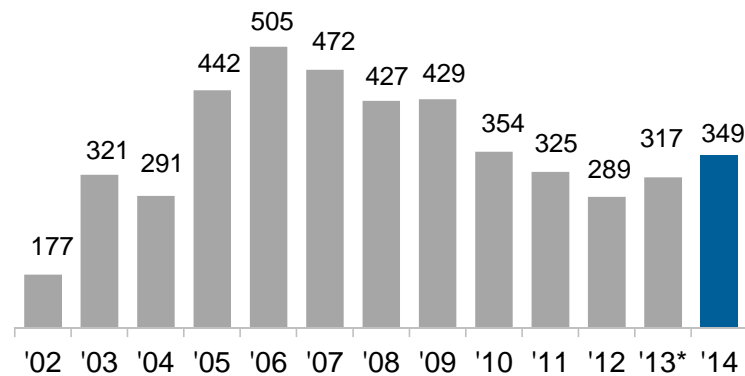
Maintaining sound Debt/Ebitda

(x)



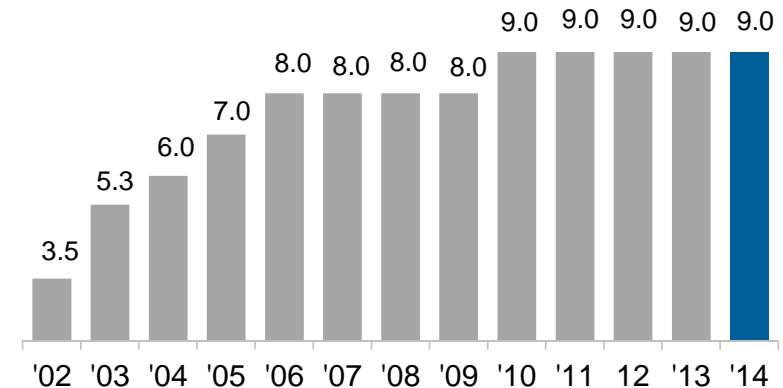
Normalised capex^ overcoming the peak

(M€)



Delivering a progressing DPS

(€c)



➔ **+13% of Ebitda CAGR vs -0.2% of Italian GDP growth**

^Gross capex

*Restated 2013 figures applying IFRS11 criteria in force starting from 1/1/2014

Hera Corporate governance guarantees public shareholders control

HERA BYLAWS

Article 7 – Public Holding

7.1 ...must hold, at least 51%...

Article 8 – Possession limits

8.1 It is prohibited by all other non public shareholders ... to have a shareholding greater than 5% in the share capital

8.2 ...the limit refers exclusively to shares that have a voting right at shareholder meetings.

8.6 ...The right to vote above that limit is reduced – to the overall maximum limit of 5%.

PUBLIC SH. PACT

Lock up share

Total amount of 51%.

Underwriters

About 100 of public shareholders.

Validity

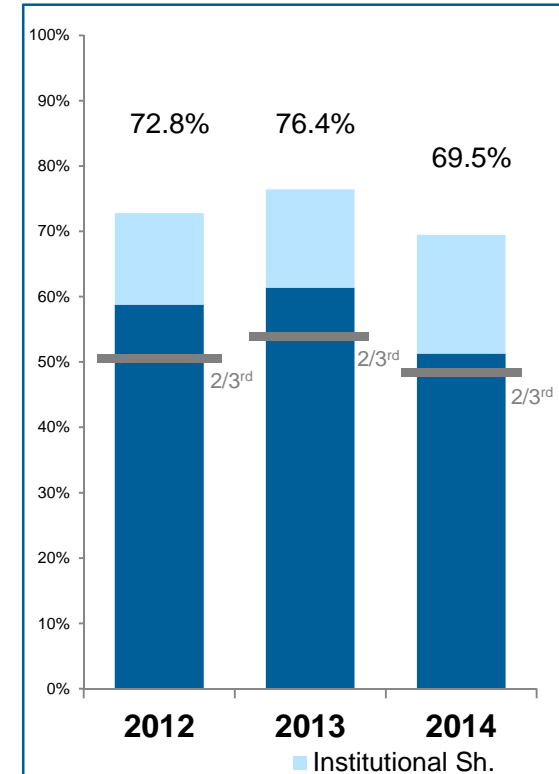
Expires on June 30th 2015.

Renewal for 3 years.

Voting trust

1. Appointment of BoD members and Statutory Auditors through the “majority” list mechanism.
2. Hera Group restructuring (Mergers/demergers)
3. Bylaws change in:
 - a) Art. 7 Public majority holdings
 - b) Art. 8: Possession limits
 - c) Art. 21: Validity of resolutions.
 - d) Art. 23.4: powers remit to BoD

AGMs PARTECIPATION

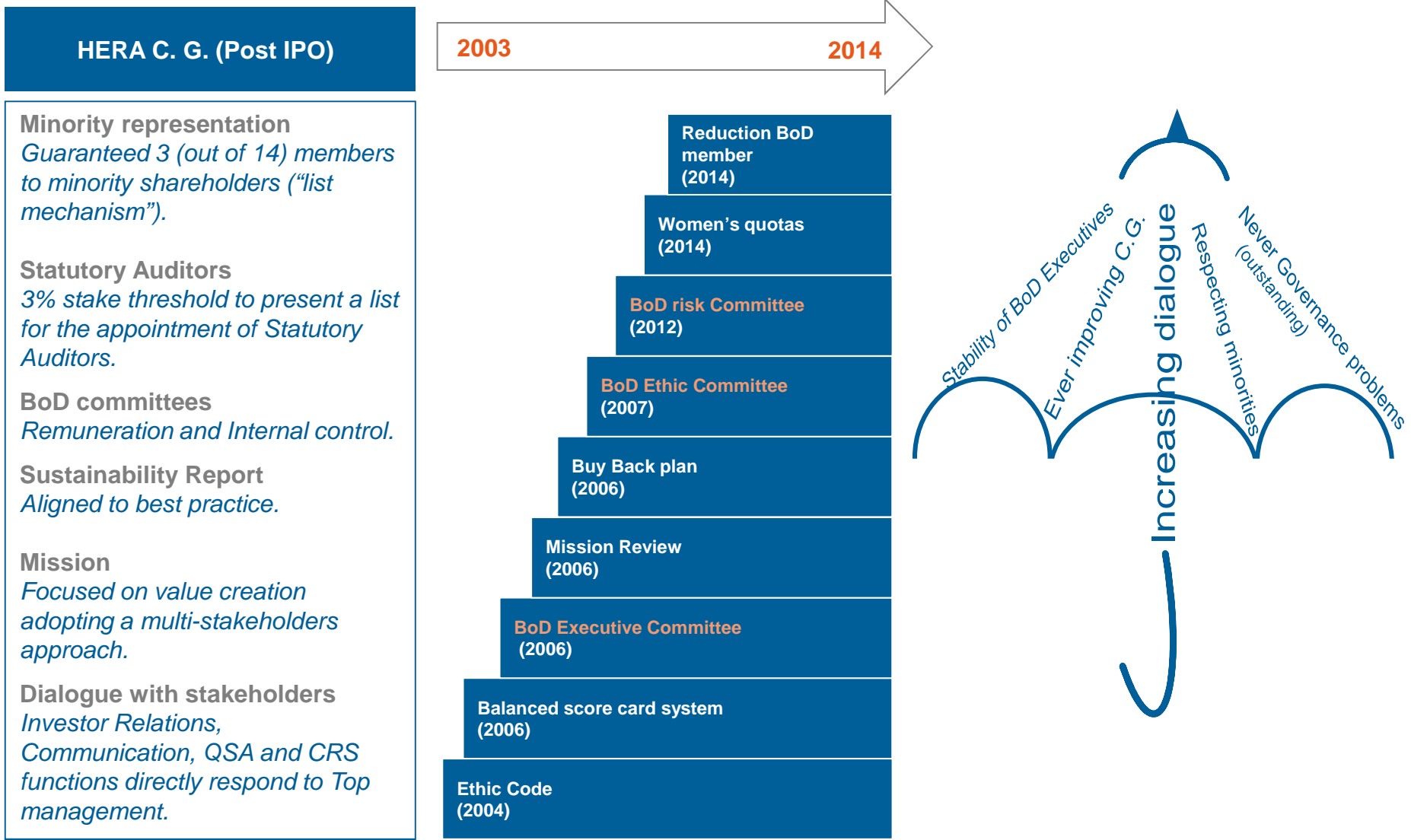


→ **Tight public control**

→ **Open ended Pact**

→ **Hold 2/3rd of votes**

Hera Corporate governance evolution



➤ **Aiming at moving towards best practice to protect minorities interests**

Our corporate governance strengths

Hera adopts the principles of the Corporate Governance Code and the recommendations of the Borsa Italiana



→ **Corporate Social Responsibility forms the pillar of our strategy and corporate culture**

Proposed changes in Bylaws (1)


Art. 7.1

From:

The share capital of the Company must be held for at least 51% by municipalities, provinces, consortia ...

To:

The **predominance of voting rights** of the company, must be held by municipalities, provinces, consortia ...

- 
- Public entities control **unchanged**
 - No oblige to lock up 51% share Capital
 - New Shareholding Pact with a lock up at 35%-40% stake

➔ **Unchanged role of Public shareholders, “strategic” stakeholders of Hera**

Proposed changes in Bylaws (2)

Art. 6	From:	To: Introduction of Multiple voting rights
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Multiple voting limited to sole 3 specific issues:

Amendment to the **multiple voting rights** and amendment to the limit in **private share possession**. (art.8)

The **appointment** and/or revocation of the **Board of Directors** or its members (art. 17).

The **appointment** and/or revocation of the **Board of Statutory Auditors** or its members (art. 26).

Minorities rights:

BoD members reserved to minorities uplifted
(List mechanism doesn't change, with increased representation)

Vote on qualified matters unchanged

Loyalty share are opened to all the shareholders
(minimum holding period of 2 years)

The related «Register» is in progress. Simplicity and standardisation is the main focus

First application of multiple voting rights in year 2017

➔ Hera “light” application of the law is simple and confirms minority rights

Proposed changes in Bylaws (2a)

AGM resolutions/voting rights:

Financial statements approval 1	Liability actions against directors and statutory auditors 1	Amendments to the bylaws 2	Share certificates issue approval 1
Appointment of Board of Directors 2	General meeting's rules and regulations approval 1	Adjustments of the bylaws to the law 1	Distribution of shares to employees 1
Appointment of Statutory Auditors 2	Other objects reserved by law 1	Transfer of the registered office 1	Convertible bonds issue 1
Appointment of independent Auditors 1	Choice of which Directors may represent the company 1	Creation or deletion of branch offices 1	Mergers, divisions and transformations 1
Remuneration policy 1	Appointment, replacement, revocation and determination of the powers of liquidators 1	Capital increase approval 1	Mergers with owned companies 1

1 One share one vote

2 Double voting rights

➔ **Substantially confirming “One share, One vote” system**

Proposed changes in Bylaws (2): focus on BoD appointment mechanism

Slate submitted by majority shareholders

11
members



- **Majority slate is submitted by public shareholders' pact.**
- **Public shareholders has to vote the majority slate** and they can't vote other slates.
- **Multiple voting rights don't change current public shareholders' election power.**

Slate submitted by minority shareholders

3
members



- **Three members** of the BoD are reserved to the **first minority slate submitted by private investors.**
- **Private investors** with an overall stake of at least **1%** can submit a slate.

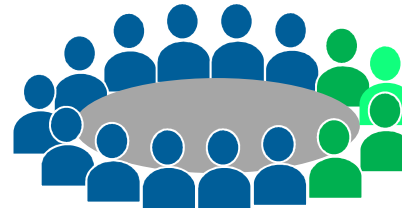
➔ **Multiple voting rights don't change appointment power of minorities and don't increase or enlarge control of public sh. on the board**

Proposed changes in Bylaws (3 and 4)

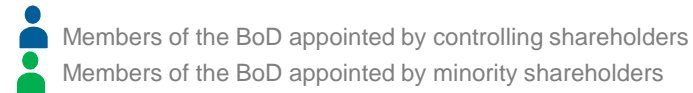
Art. 16/17

BoD: increase from 14 to 15 members

- increase the current number of components of the BoD.
- The additional member assigned to minority shareholders' list.



+1
member



Art. 26

BoSA: decrease in % required to present a list

- The **stake required** to present a list for the election of the **Board of Statutory Auditors** reduced **from 3% to 1%**, as for the election of the BoD.



From:
Single Private investor
with 3% stake:

0

To:
Single Private investor
with 1% stake:

7*

* Data sourced from public filling

➔ **Enlarging representation and participation of minorities**

Closing remarks

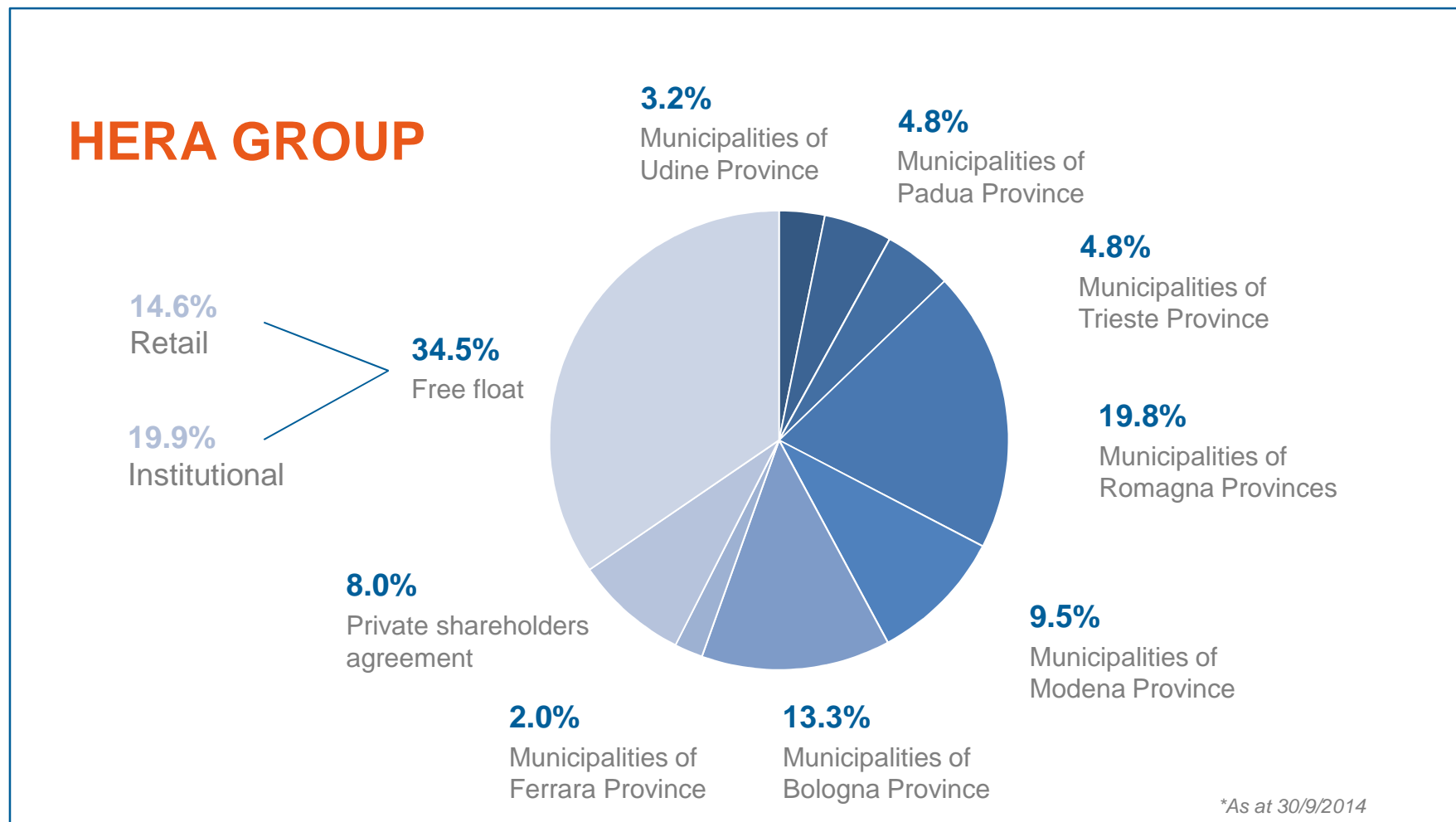
- Industry undergoing a deep consolidation process supported by the Government
- Hera leads sector consolidation aiming at value creation since establishment
- Public shareholders supports management choices even though dilution on stakes
- Public shareholders will reduce their stake in next 3 years favoring stock liquidity
- Public entities control will stay **unchanged and unchangeable**
- Multiple voting rights: Restricted application, «1 share, 1 vote» the fundamental system
- Multiple voting rights imply no reduction in minorities' power to appoint the BoD members
- Multiple voting rights applied only every three years (appointment BoD members)
- Increased BoD members of 1 person to the benefit of Minorities: up to 27% of BoD
- Purpose of introducing multi vote is to underpin further consolidation through mergers

➔ **Communicate transparently to keep on growing with all shareholders**

- **Share capital structure**
- **Our Governance structure**
- **Our strengths**
- **Governance highlights - 2014**

Our Shareholder Structure

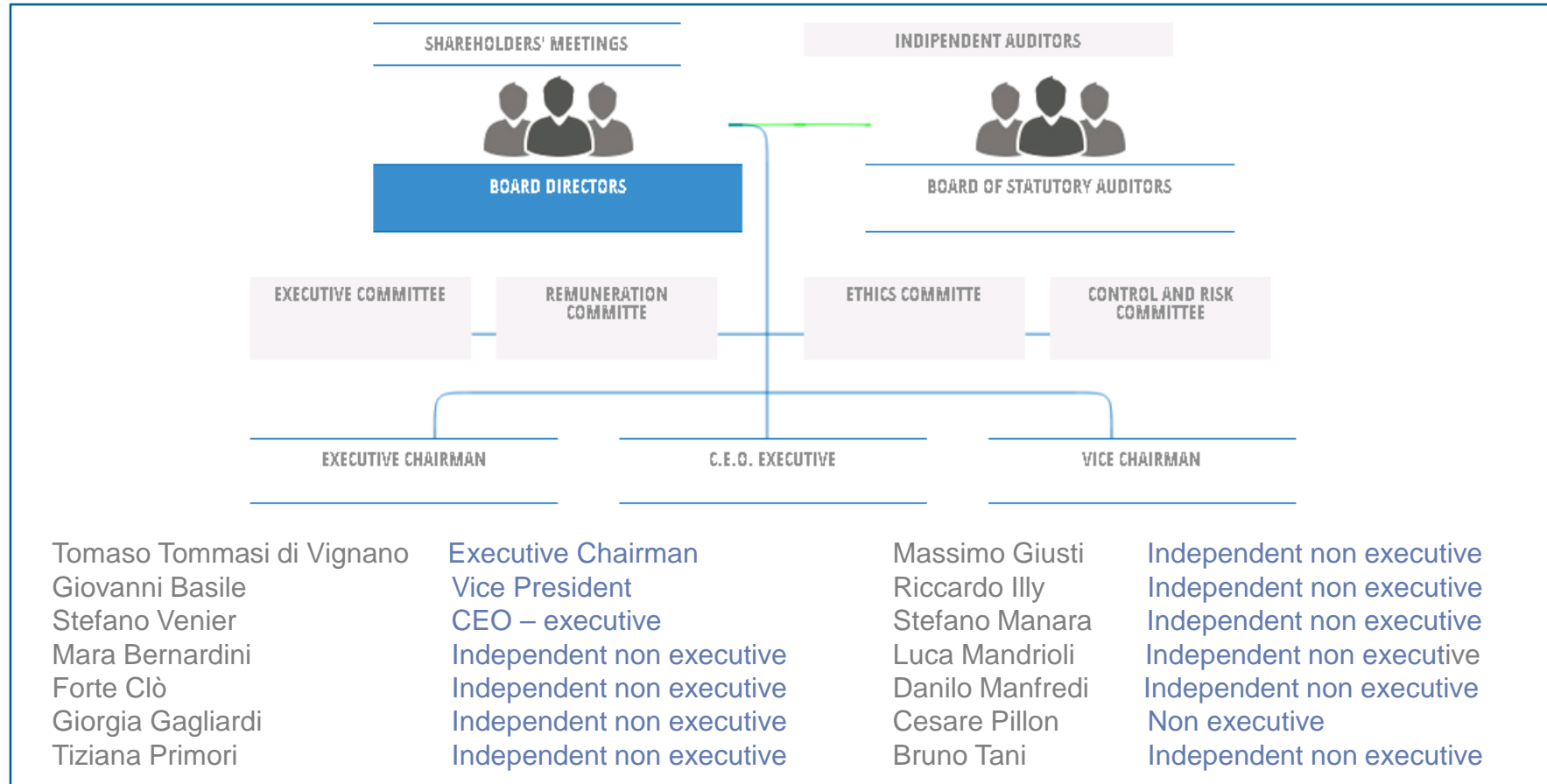
200 public shareholders, mainly municipalities, hold about 57.4% of the share capital*



→ Top 20 private shareholders hold 13.8% of share capital

Our Governance Structure (1)

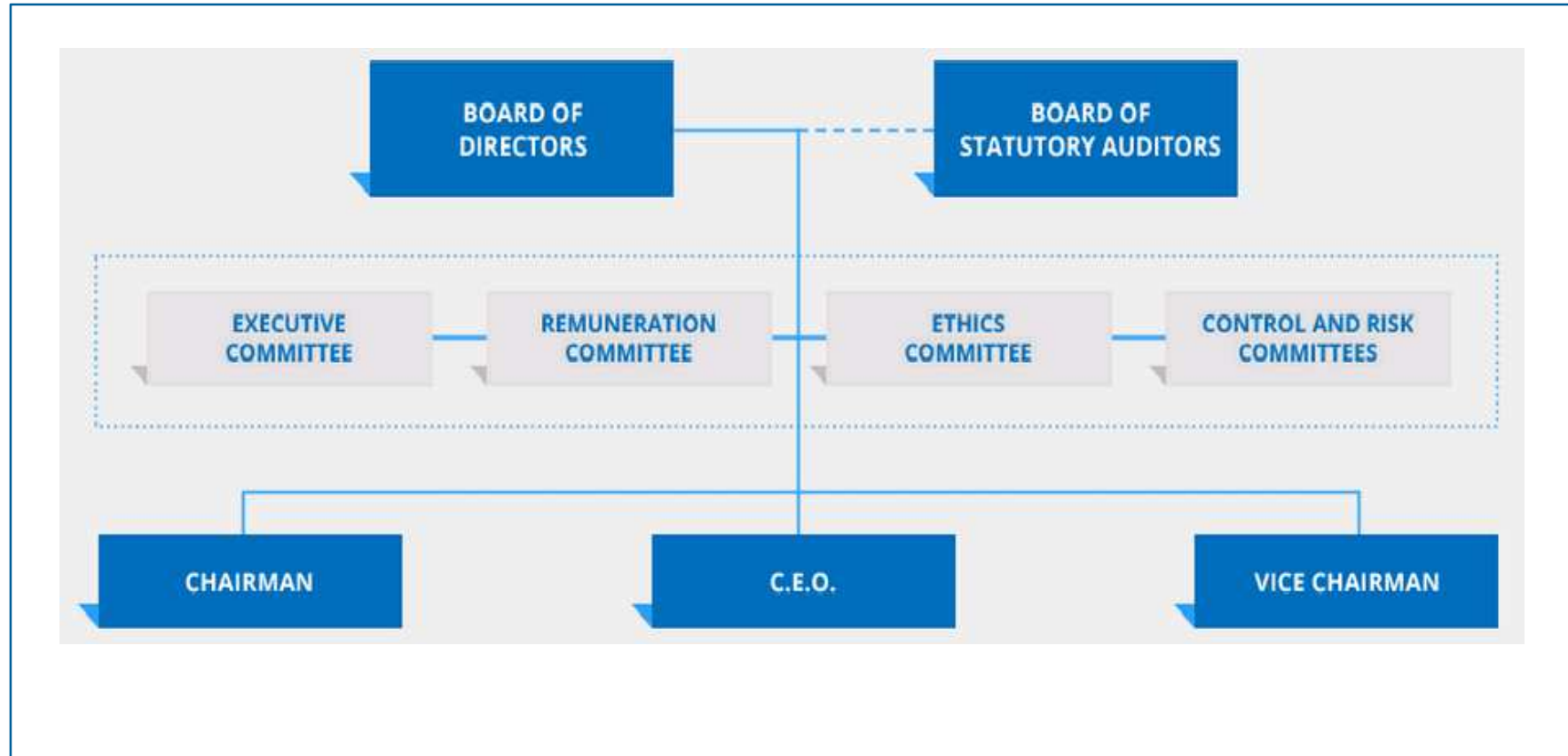
The Board of Directors of Hera



→ **14 board members with 71% independent non-executives overall**

Our Governance Structure (2)

The Board Committees of Hera



➔ **100% independence on both Control & Risk and Remuneration Committees with no executive members**

HERA Group – Corporate Governance highlights – year 2014

Board of Directors - Composition

	HERA - 2014	FTSE Italia* - 2014
Board Size	14 Board members	11.3 - FTSE Mib 9.3 - Non-financial companies
Average age	53 years	58.5 years
Non-executive directors	12 directors (86%)	4 directors
Independent directors	10 directors (71%)	4 independent directors
Time in office	Median 1 year (new Board) Min. 1 year Max. 13 years (Chairman)	5.5 years
Chairman – CEO	Separate functions	67.4% of companies separate the two functions

➤ **The Board is lead by an Executive Chairman, who is supported by a non-executive Vice President, ensuring the independence of the decision-making process.**

* According to annual analysis conducted by Assonime on 230 Italian listed companies

HERA Group – Corporate Governance highlights – year 2014

Board of Directors - Functionality

	HERA - 2014	FTSE Italia - 2014
Frequency of meetings per year	11	10,2
Average length of meetings	2h 25 min.	2 h
Average time commitment required	<i>h/ year to be completed In case Hera has info</i> Policy for accumulation of positions: Limit 1 – outside executive directorships Limit 2 – outside non-executive directorships	24 h / year - All companies 38 h / year - FTSE Mib
Board evaluation	Conducted	79% - of companies
Board evaluation externally facilitated	Conducted	13% - of companies
Board induction	Conducted	
Succession plans	Not Adopted	84% - of companies provide information

- Is worth to mention that Hera Executive Chairman have been confirmed since establishment. The few changes incurred (related to the CEO) have always brought to the appointment of managers selected within the Company.

Board of Directors selection process - rigorous, transparent, objective and aligned
 **with the organization’s needs. We ensure adoption of several policies and procedures that enhance Board effectiveness**

HERA Group – Corporate Governance highlights – year 2014

Committees

	HERA - 2014	FTSE Italia All-Share - 2014
Nomination Committee	Not established	49% of companies
Remuneration Committee	Established	88% of companies
Remuneration Committee Independence	100%	42% of companies
Control and Risk Committee	Established	91% of companies
Control and Risk Committee Independence	100%	50% of companies

- It was decided that the Board of Directors would fulfil the functions of the Nomination Committee, also in view of the fact that members of the Board of Directors are appointed by the shareholders through the list voting system during the shareholders' meeting.
- Hera has also established an Ethics Committee, tasked with monitoring the diffusion and implementation of the principles of the Code of Ethics, opening investigations in case of reports of violations and disseminating the rules and functioning procedures of the Committee.

HERA Group – Corporate Governance highlights – year 2014

Remuneration

	HERA - 2014	FTSE Italia All-Share - 2014
Disclosure of peer group considered for the remuneration policy	Adopted - Not disclosed	77% of companies
Adoption and disclosure of cap on the variable remuneration	Adopted and disclosed	89% of companies
Ex-ante definition of performance metrics for variable remuneration	Adopted and disclosed	93% of companies
Variable compensation defined on medium-long term	Not adopted *	75% of companies
Adoption of equity-based plans	Not adopted *	Mostly large companies: 65% - FTSE MIB companies
Policy for termination payments – cap to indemnities	Cap not adopted	25% of companies

The policy for executive and non-executive remuneration takes into consideration the specific context of the company's business and governance. **Consistent with its highly conservative risk profile, Hera has chosen not to proceed with granting highly volatile financial instruments, such as, for example, option rights, or other similar instruments. For the relative stability of business results and ex-post risks, the Company is not currently planning to include a long-term variable component.*

Hera's remuneration policy is based on principles which ensure that the level and structure of remuneration is appropriately aligned with individual performance, corporate sustainable performance.

HERA Group – Corporate Governance highlights – year 2014

Ethics and Sustainability

Code of Ethics

- A reference point and a guide for all Hera employees and those involved in achieving the company's mission.
- Lays down the commitments and responsibilities to be met as part of all company activities undertaken by those who work for Hera.
- Provides guidance for Group management according to the ethical values and the operational principles set forth in the Charter of Values, in order to promote unique guidelines for conduct aimed at meeting the needs of stakeholders and at consolidation of a positive corporate reputation.

Sustainability

- Achievements of positive results in terms of social and environmental sustainability and implementation of numerous projects both of transversal value and in the individual business areas.
- All results and activities undertaken are duly accounted for in the Sustainability Report, constantly updated and focused on stakeholder needs-