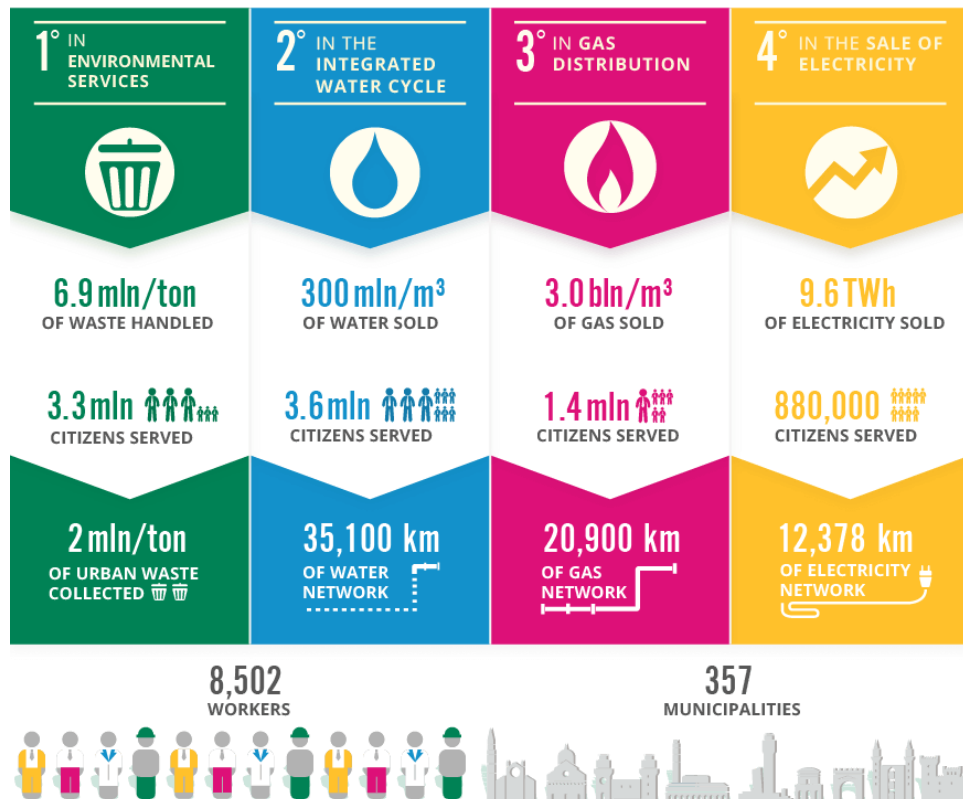


# About

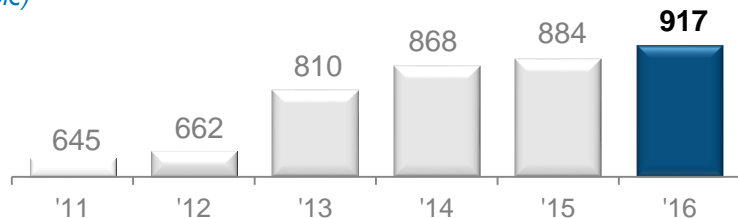
- Since 2002, Hera has been the leading example in Italy of the combination of public service companies (11 of them operating in Emilia-Romagna) into a single multi-utility capable of creating a true "public service industry"
- After incorporating other companies active in the same areas Hera is one of Italy's largest local utilities
- The Group operates in Environmental services (waste collection and treatment), Energy services (distribution and sale of electricity and gas) and Water services (waterworks, sewerage and purification)
- Hera has over 8,500 employees and more than 3.5 million citizens served.



# A story of uninterrupted growth

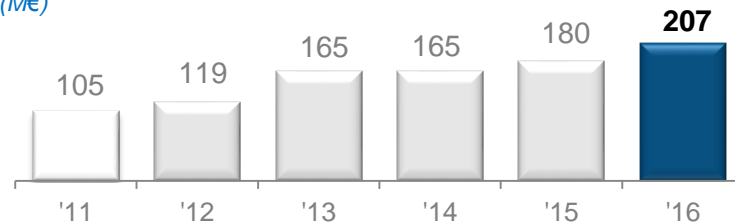
## EBITDA growth at +7.3% CAGR

(M€)



## Net profit growth at +14.7% CAGR

(M€)

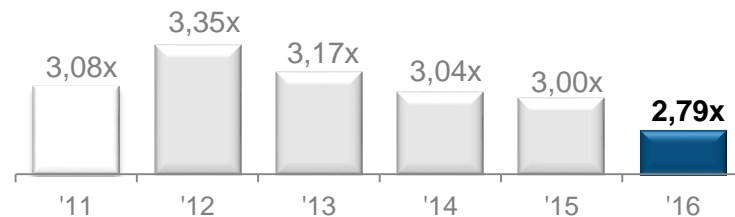


## M&A track record: 13 deals since '11

Multi-utility / Reg.	Energy sales	Waste treatm.
Acegas Aps ('13)	Sadori ('11)	Energonut ('12)
Est Reti Elettriche ('13)	Alento Gas ('15)	Geo Nova ('15)
Isontina Reti Gas ('14)	Julia Servizi ('16)	Waste Recycling ('15)
Amga ('14)	Gran Sasso ('16)	Aliplast + Teseco ('17)

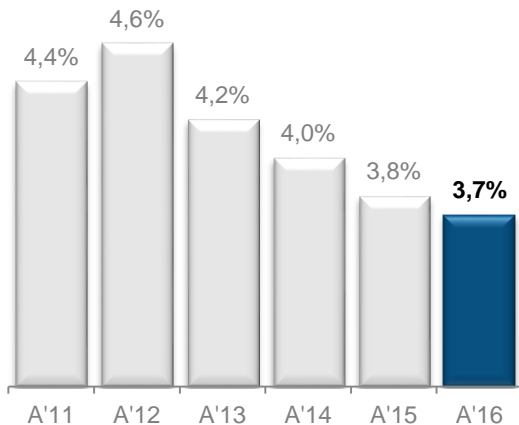
## DEBT/EBITDA enhanced

(x)

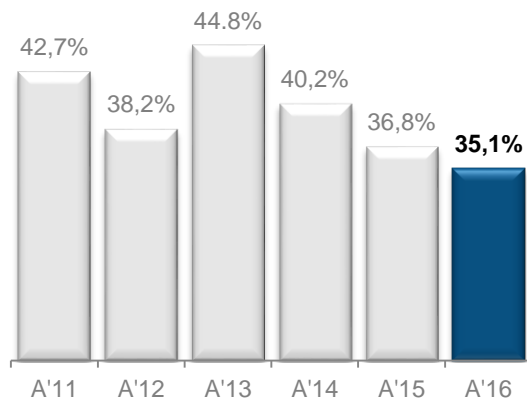


# Always improving financial and tax profile

**Cost of Debt**  
(%)



**Tax rate**  
(%)



**2016 EPS growth**  
(%)



**Achieving 8.6% ROE in 2016**

# Hera and CSR: a very good match

- Sustainability has always played a key role in Hera's strategy ever since its establishment
- The Group integrates sustainability in its planning and control systems and in the management of ALL its business activities
- **balanced scorecard system involving the whole company management**
- **constant commitment to stakeholder reporting**
- **sustainability report published on a yearly basis ever since the Group's establishment (since 2007 approved by the BoD with the financial statements)**
- **strong attention to systems of values**
- **continuous improvement of the Group's accountability profile**
- **strengthening of the governance system and management of business risks**

The image displays the cover of the 2016 Sustainability Report and several key highlights. The cover features five main pillars: Improving the Environment, Guaranteeing Quality and Safety, Listening to Improve Be Transparent, Engaging and Motivating Workers, and Having Partners Suppliers for Sustainable Growth. The report title '2016 Sustainability Report' is prominently displayed, along with a description of its content and approval date. Below the cover, three chapter highlights are shown: Chapter 1 (Sustainability, Strategy and Value) with 1,729.7 million euro economic value to local areas; Chapter 2 (Customers) with a 12.3 minute wait time at customer help desks; and Chapter 3 (Workforce) with 97% of employees on open-ended contracts.

**IMPROVING THE ENVIRONMENT**

**GUARANTEEING QUALITY AND SAFETY**

**LISTENING TO IMPROVE BE TRANSPARENT**

**ENGAGING AND MOTIVATING WORKERS**

**HAVING PARTNERS SUPPLIERS FOR SUSTAINABLE GROWTH**

## 2016 Sustainability Report

Contains the numbers of economic, social and environmental responsibility. It focus on the commitments, the results obtained and future perspectives.

2016 SUSTAINABILITY REPORT HIGHLIGHTS (710x8)

Approved by the Hera BoD on the 21th march 2017.

**CHAPTER 1**  
**SUSTAINABILITY, STRATEGY AND VALUE**  
1,729.7 million euro economic value to local areas

**CHAPTER 2**  
**CUSTOMERS**  
12.3 minute wait time at customer help desks

**CHAPTER 3**  
**WORKFORCE**  
97% of employees have open-ended contracts

### A YEAR OF SUSTAINABILITY

Letter to stakeholder

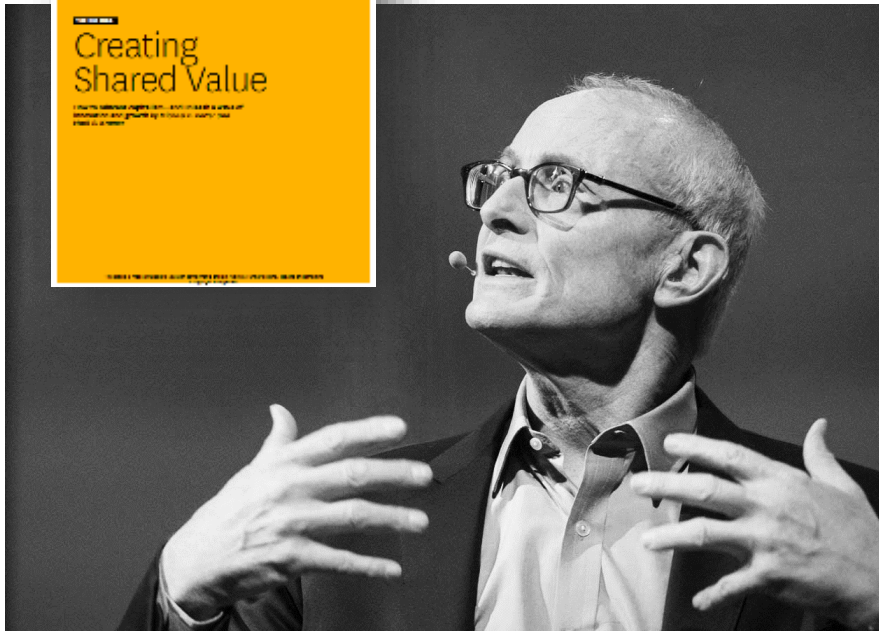
“ Our Sustainability Report for 2016... embraces shared value ”

**Stefano Venier**  
Chief Executive Officer of Hera Group

**A shared value sustainability report**  
Our approach to shared value

LEARN MORE

## From CSR to CSV, where the story began



Porter and Kramer, in the well-known article dated 2011, introduced the idea that companies could meet social needs and expectations while better serving existing markets, accessing new ones and also lowering business costs through innovation.

**“ A shared value approach reconnects company success with social progress ”**

# CSR vs CSV

## CSR → CSV

- |   |   |
|---|---|
| ■ Value: doing good   | ■ Value: economic and societal benefits relative to cost          |
| ■ Citizenship, philanthropy, sustainability                           | ■ Joint company and community value creation                      |
| ■ Discretionary or in response to external pressure                   | ■ Integral to competing   |
| ■ Separate from profit maximization                                   | ■ Integral to profit maximization                                 |
| ■ Agenda is determined by external reporting and personal preferences | ■ Agenda is company specific and internally generated             |
| ■ Impact limited by corporate footprint and CSR budget                | ■ Realigns the entire company budget                              |
| ■ Example: Fair trade purchasing                                      | ■ Example: Transforming procurement to increase quality and yield |

Source: "Creating Shared Value," by Michael E. Porter and Mark R. Kramer, in Harvard Business Review, January 2011

**CSR** programs focus mostly on reputation and have only a limited connection to the business, it is hard to maintain CSR targets over the long run

## Economic value created through CSR is too narrow

**CSV** is integral to company's profitability and competitive position. It leverages the unique know how and specific skills of a company to create economic value by creating social value

## Corporations make profits while meeting social needs

# Creating shared value: let's think about HOW!

## **Redesign product, services and markets**

- ▶ Design products and services, open up new markets in order to meet unsatisfied need and expectations
- 

## **Redefine production all along the chain of value**

- ▶ Find solutions aiming to maximize social and environmental value while improving company efficiency and cost containments
- 

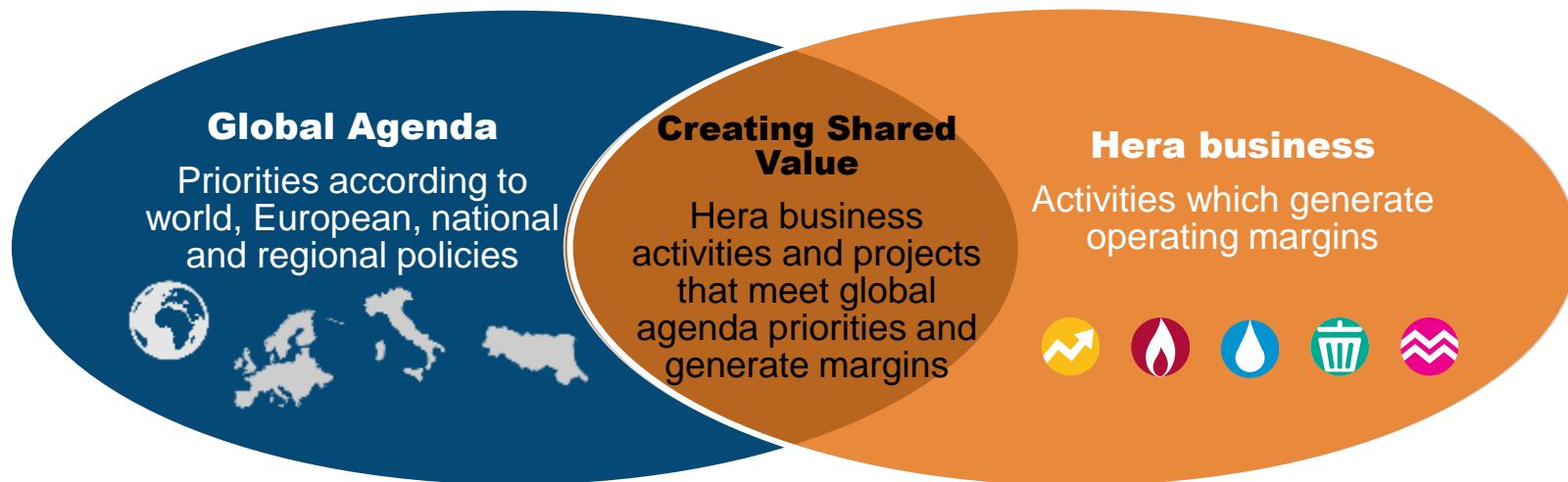
## **Encourage the development of local clusters**

- ▶ Strengthen and increase reference markets through activities aiming to promote local development (new business, local procurement, etc...)



# How is Hera moving towards CSV?

Hera creates Shared Value via all those business activities which generate operating margins while responding to the priorities of the UN global agenda, or rather those “calls to action” to change for the pertinent areas, indicated by the policies at global, European, national and local level.



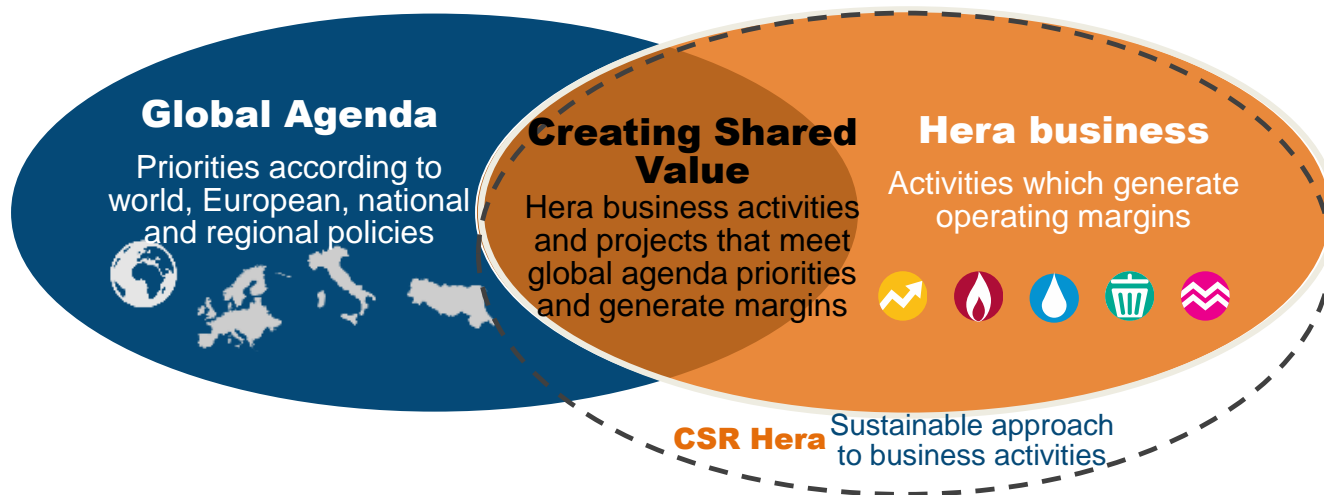
# Hera between CSR and CSV

Hera integrates sustainability in its strategy and in the business activities, carrying out activities and projects which:

- improve the specific environmental and social sustainability performance, mainly in the businesses of interest (also, but not only, in relation to the law and sector regulations).
- **generate operating margins while responding to the drivers of the global Agenda.**

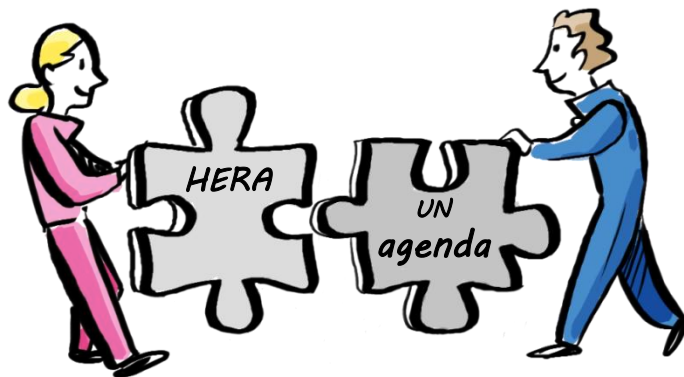
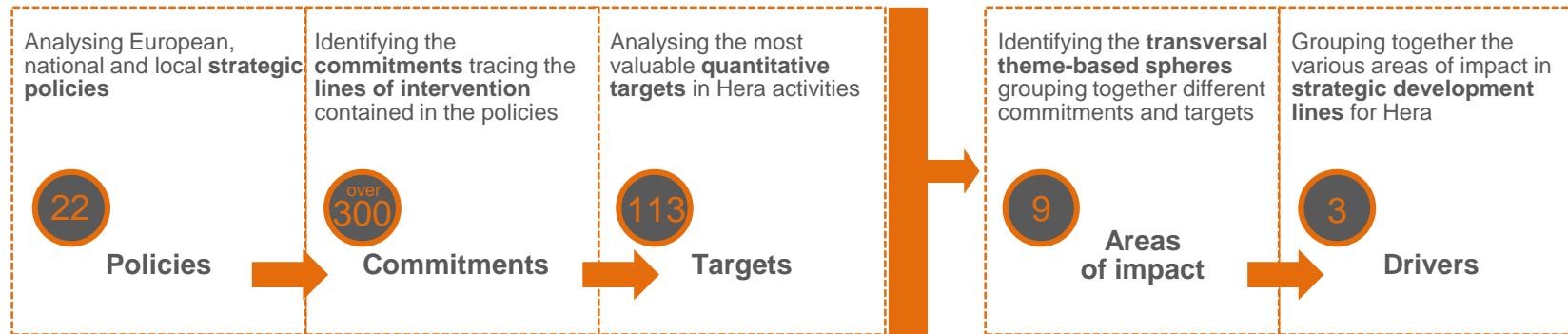
This latter point represents the evolution of Hera's «historic» approach to CSR.

The Group may strategically decide to increase the Shared Value generated, playing on the overlapping between business and priorities of the global Agenda.



# Time to identify the “call to action”

## How Hera did it



# Global agenda goals concretely addressed by Hera actions

€uro 300 million, 33% of total 2016 Ebitda, derives from activities which comply with 3 Drivers of the global Agenda

## Global agenda goals



## Hera impact areas and achievements

*Circular economy*

94.4% Waste recovered

64% packaging recycled

*Water resources*

10.3 cm/km/day Water leakage

*Green house Gas emission*

-10% carbon footprint

*Renewable energy*

69% energy produced

*Energy efficiency*

-2.6% Energy consumption

*Employment competence*

243k training hours

*Economic develop. & social inclusion*

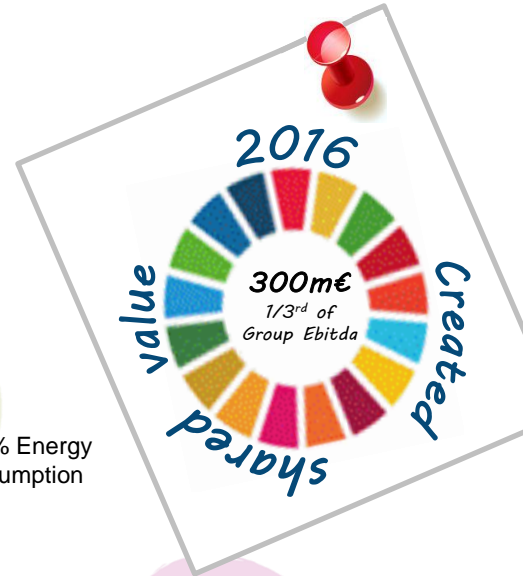
~800 people facing hardship engaged

*Protect air & soil*

Emissions at 14% of law limit

*Innovation*

6 projects underway



# Circular Economy: a sustainable model to create shared value

The generic Circular Economy label is gained momentum since the late 1970s. **The Ellen MacArthur Foundation**, an independent charity established in 2010, has outlined the economic opportunity of a circular economy. As part of its educational mission, the Foundation has worked to **bring together complementary schools of thought and create a coherent framework**.



“A restorative and regenerative economy aiming to keep products, components, and materials at their highest utility and value, distinguishing between technical and biological cycles. It is conceived as a continuous positive development cycle that preserves and enhances natural capital, optimizes resource yields, and minimizes system risks by managing finite stocks and renewable flows.”

## Principles:

- Preserve and enhance natural capital by controlling finite stocks and balancing renewable resource flows
- Optimize resource yields by circulating products, components, and materials at the highest utility at all times in both technical and biological cycles
- Foster system effectiveness by revealing and designing out negative externalities



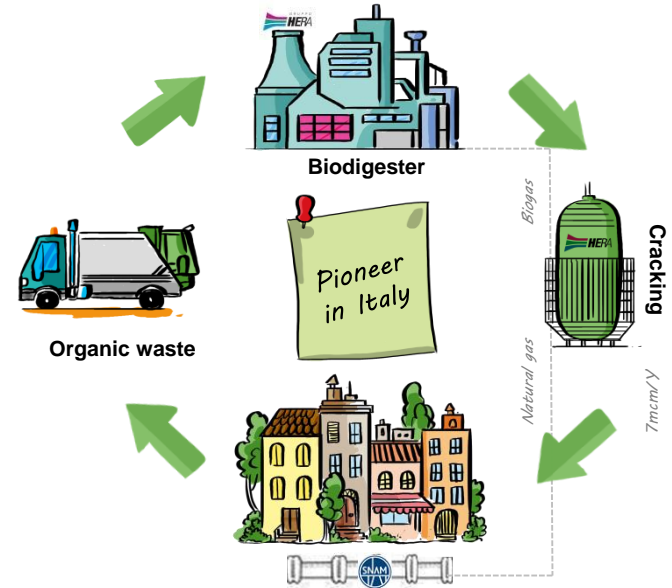
# Hera new horizon in circular economy

## Aliplast: plastic from packaging creates new packaging



Aliplast is a national centre of excellence in plastic industrial waste collection and recycling and regenerated polymer production, with over 80,000 tons of plastic materials recycled every year. It was the first enterprise in Italy to fully integrate the entire lifecycle of plastic, from environmental services in managing and collecting industrial packaging and residues to production and market sales of manufactured goods and packaging materials, produced with plastic recycled by the company itself.

## Pioneering transformation of Biogas into methane



The process of anaerobic digestion for biogas recovery is aimed at maximising the production of biogas to produce electricity and heat via cogeneration, and reducing the quantity of sludge headed for disposal. Along the biogas production plant line, a cogenerator will be installed whose purpose will be to produce electricity and renewable heat that will be used directly in the plant.

# Essential goods saved from waste



A **project against food waste**, that allows the collection of meals prepared but not consumed at the 5 Hera canteens. The retrieved food is donated to 6 no-profit organizations assisting people in 8 locations every day. Since the project started, more than 67,400 meals were retrieved. The corresponding saved waste amounts to more than 29 tons, circa 4.6 tons only in 2016.



**noi li raccogliamo**

Through FarmacoAmico project, since 2013 Hera collects medicines with an adequate conservation state and at least 6 months from expiry date and distributes them to no-profit organizations. The project aims at preventing hazardous waste while supporting assistance organizations. In three years the municipalities involved have increased from six to eleven, covering 36% of the territory where Hera operates.



**Cambia il finale**

Fai un gesto di solidarietà e dona i tuoi ingombranti in buono stato alle onlus della tua città.

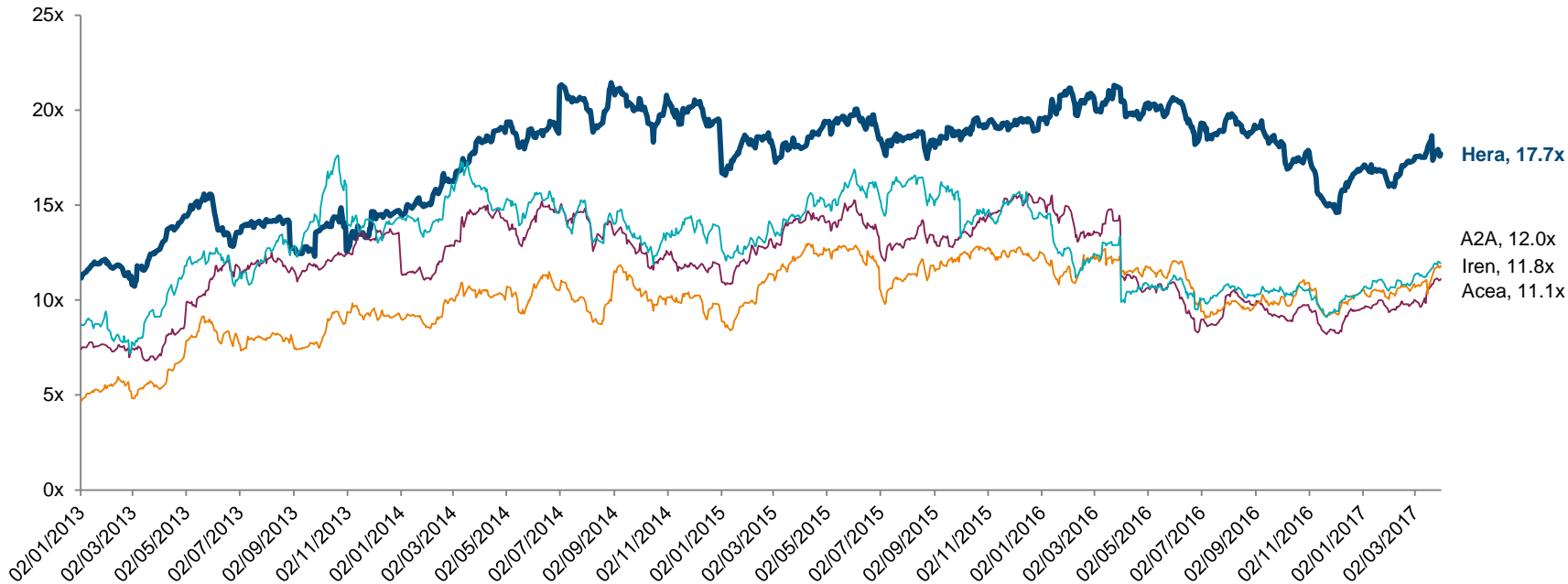
"Cambia il finale" is the project aiming at the collection and re-use of bulky waste in a good state. Hera, together with 20 no-profit organizations, manages the pickup service free of charge. The no-profit organizations have involved several municipalities, more than 1,100 volunteers, and have supported 360 social inclusion recruitments. For every Euro invested, the project has generated 1.37 Euro..



**“In a circular economy waste does not exist, and is designed out by intention. Biological materials are non-toxic and can easily be returned to the soil by composting or anaerobic digestion. Technical materials – polymers, alloys, and other man-made materials – are designed to be recovered, refreshed and upgraded, minimizing the energy input required and maximizing the retention of value (in terms of both economics and resources).”**

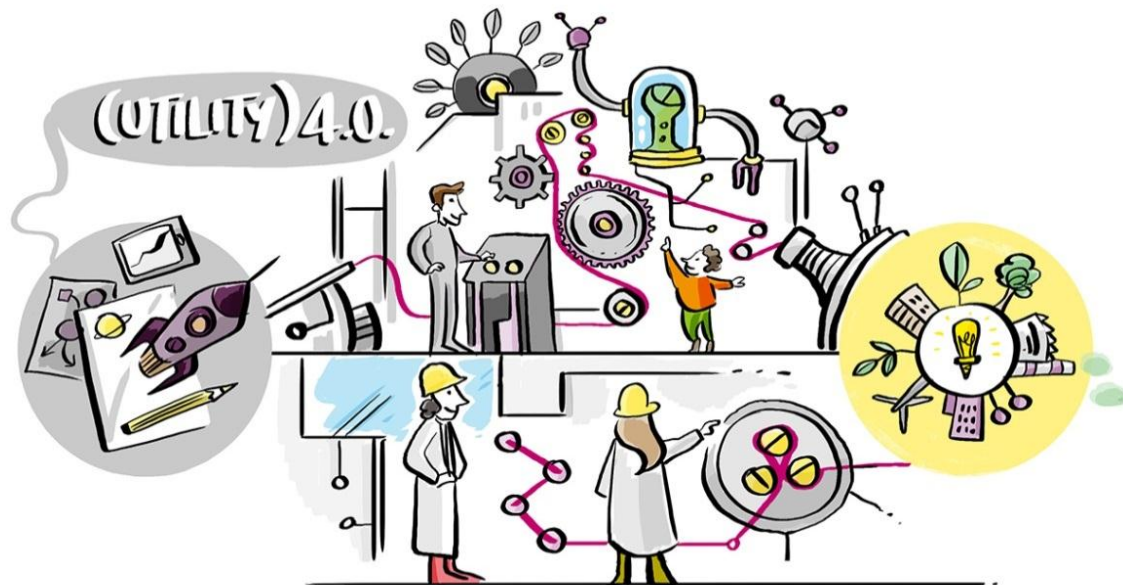
# Does sustainability underpin premium price?

Hera premium vs peers (P/E)





# Q&A session



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