

HERA

2014

**Sustainability
report**



Contents

A year of sustainability	4
Strategy, sustainability and value	6
About us	6
Sustainability for the Hera Group	8
Sustainability and risk management	16
Dialogue with our stakeholders.....	28
The economic value for our stakeholders.....	30
Customers.....	39
Objectives and performance.....	39
Our customers	41
The cost of our services	44
Service quality.....	57
Quality of drinking water.....	60
Service safety and continuity.....	62
Customer relations	69
Customer satisfaction survey and other dialogue initiatives	75
Case studies for our customers.....	78
Workforce.....	85
Objectives and performance.....	85
Workforce	86
Diversity and equal opportunities.....	92
Training and professional development	95
Health and safety	100
Remuneration and incentives.....	104
Industrial relations	107
The internal climate survey and other dialogue initiatives	111
Case studies for employees	115
Shareholders and Financial Institutions.....	119
Hera's commitment toward the investors	119
The commitments vis-à-vis the investors in terms of dividends	120
Complete transparency with the shareholders on the creation of value	122
The commitment to reduce the investment risk.....	122
The composition of the shareholding structure	125
Corporate Governance and safeguards for shareholders.....	128
Financial structure	130
The green bond.....	131
The environment and future generations	134
Objectives and performance.....	134
Energy production.....	136
Energy efficiency	146
Production and distribution of water.....	151
Wastewater purification quality.....	155
Atmospheric emissions.....	159
Greenhouse gas emissions.....	169
Waste collection.....	171
Separate waste collection.....	175
Waste disposal	181
Waste produced by Hera	188
Biodiversity.....	189
Innovation: the main initiatives	189
The initiatives for the local community.....	191
Public Administration	207
Case studies for the environment and future generations.....	212
Suppliers	230
Objectives and performance.....	230
Our suppliers.....	231
Operations within local communities.....	232
Qualification and selection of suppliers.....	234
Contract management	241
Supplier relations.....	244

Case studies for suppliers	245
Methodological guide to the Report.....	248
Drawing up this report.....	248
Annexes	253

A year of sustainability

Letter to stakeholders

A new Report for our stakeholders... with still highly positive results

Once again in 2014, the Hera Group was able to achieve positive results in terms of social and environmental sustainability and to implement a wide range of projects transversally and in individual business areas. All the results achieved and activities undertaken are duly accounted for in this Report, which has been completely restyled to make it more accessible to our stakeholders and make it become an even more effective tool of transparency for building the confidence we need.

Integrating sustainability in corporate management

Sustainability has played a central role in Hera's strategy since its establishment and our approach is geared towards integrating sustainability in our planning and control systems. How was this actually realised? We used a balanced scorecard system involving the entire management and we ensured transparent reporting to stakeholders, as witnessed by this Report. By further strengthening the system of governance and risk management of our businesses, we managed to preserve operations and ensure solidity and growth.

Customers continue to be the centre of our attention

The level of customer contact channels continued to be high in 2014 as confirmed by the figures illustrated in this Report. Call centre and branch waiting times for AcegasApsAmga improved as a consequence of the efforts undertaken from 2013. The customer relations, characterized by a sustainability profile, also featured an increased diffusion of Online Services (signed-up customers rose to 14.4% in 2014) and of electronic bills (requested by 9% of customers). Both were the subject of innovative and highly appreciated promotion campaigns, such as the "Elimina la bolletta, regala un albero alla tua città" (Get rid of bills, give a tree to your city) campaign. Among the other many innovative initiatives developed and diffused in 2014, which kept us in close touch with our customers and which we are particularly proud of: SOStegno Hera - a practical guide on all existing tariff concessions and on how to use them - and "Hera Start Up" - the offer dedicated to young businesses at advantageous conditions for energy, voice and data communication services.

Work safety always in the forefront and "responsible procurement" among our commitments

We improved work safety management in 2014. We extended OHSAS 18001 certification to AcegasApsAmga (90% of Group workers are covered by this certification) and the results are there to be seen: the accident frequency index halved, recording a further drop in 2014 and reaching 22.6. We also raised awareness in our suppliers on good working practices with SA8000 certification and we organised innovative initiatives regarding procurement-related accountability, for example, by introducing a social clause on the safeguarding of employment. This will continue to be an area we will be strongly committed to in the future.

Leading-edge waste management in Italy and in Europe, but sustainability continues to be a challenge

The results achieved in the waste management sector are among the issues we value highly in this Report. The facts and the comparisons made with other areas show us that the territory served by Hera still reaches true excellence at European

level. Thanks to the investments made, we gave up landfills as the main waste disposal system, which dropped further in 2014 settling at 12.9% of urban waste collected. Separate waste collection rose from 52.6% to 54%. With 351 kilos per capita of separate waste collected, Hera confirms its prominent position in Italy. The environmental performance of the Group's 11 waste-to-energy plants continues to be excellent and in 2014 they recorded levels of atmospheric emissions on average 86% lower than the limits provided for by law. If we add a waste management service cost 23% lower than the national average and 17% lower than the average cost in the north of Italy, it is clear that the challenge set for this service in the future is to achieve the economic sustainability of the environmental progress required by our stakeholders and included in our Business Plan. We will continue to guarantee utmost management efficiency, as we have done so far, and to offer our citizens - through publication of the *Sulle tracce dei rifiuti (Tracking waste)* yearly report - guarantees on the actual recovery of separated waste, for the benefit of the environment and of the sector of green economy operating in the recycling field.

Rules and quality of a key service

We have made progress in other areas too, such as the great attention given to water cycle sustainability. Around Euro 1.2 billion were invested in the water cycle between 2002 and 2014, making it possible to reduce network leaks and upgrade the sewage systems and treatment plants. The latter have a 90% coverage rate in the local areas served compared to a national average of 70%. Our goal is to maintain adequate investments while ensuring viability thanks to the new tariff criteria that have been defined. The adjustment plan (including regulatory adjustments) of the sewage-treatment system will continue with important interventions, especially in Trieste and Rimini. We will continue to promote the excellent quality of the water distributed by Hera (reported yearly in our *In buone acque (In good water)* report) and to raise awareness in citizens on more informed and cost-effective consumption.

Energy efficiency among our new challenges

Energy efficiency is the new global challenge. To win this challenge, we achieved ISO 50001 certification and defined an energy improvement plan with 54 interventions aimed at reducing 3% of our energy consumption by the end of 2017. This is one of the areas of development that we must tackle and that will contribute to enhancing our business, environmental sustainability and the growth of the local areas we work in.

A new Report, a new way of talking about what we do

The way this Report talks about the events, about the commitments undertaken and maintained and about what we intend to do is a step forward to starting a new method of reporting. We have kept in mind the people who will read it or want it to be read to them, seeking constant improvement just like our way of doing business. We hope we have succeeded in doing so.

Tomaso Tommasi di Vignano
Executive Chairman

Stefano Venier
Managing Director

Strategy, sustainability and value

About us

A Group that provides energy, water and environmental services to over 4 million citizens in 358 municipalities

Hera is one of the major multi-utility companies in Italy, operating in approximately 358 municipalities of the provinces of **Bologna, Ferrara, Forlì-Cesena, Gorizia, Modena, Padova, Pesaro and Urbino, Pordenone, Ravenna, Rimini, Trieste and Udine**, in 3 municipalities in the province of **Firenze** and 1 municipality in the province of **Venezia**.

In 2014, the Group strengthened its presence in the North East thanks to the integration of Amga, Isontina Reti Gas and Est Reti Elettriche (companies operating in the sectors of gas and electricity serving over 500 thousand citizens in the provinces of Udine, Gorizia and Pordenone). This is how AcegasApsAmga S.p.A., part of the Hera Group, was created.

At the end of 2014, following acquisition by Herambiente of a company branch of Ecoenergy, Herambiente Recupero was created, a market leader in the production of secondary solid fuels.

Hera provides energy (gas, electricity), water (water systems, sewage and treatment), and waste management (collection and disposal) services to over 4 million citizens.

Hera is a company renowned for its reliability, soundness and competitiveness. Its main strengths lie in:

- the **balance of its services**, comprised of services managed according to free market criteria (e.g. sale of gas and disposal of special waste) and regulated services (e.g. gas distribution, integrated water services, collection and disposal of municipal waste);
- **strong roots in the areas in which it operates** and deep focus on sustainability;
- a **widespread shareholding structure**.

Main awards in 2014

- Top Utility 2015 (Sustainability)
- Top Employer 2015
- National award for the prevention of waste awarded by Federambiente and Legambiente
- CSR On Line Lundquist Awards - 2nd place
- Winner of the Smart City Smau prize
- KWD Webranking - 4th place

Services provided

	Energy services Sale and distribution of gas and electricity, district heating, heat management and public lighting	Integrated Water Services Civil and industrial water system, sewerage and purification	Waste Management Services Collection, recovery, treatment and disposal of urban and special waste
Customers	Gas: 1.5 million Electricity: 0.9 million	Water: 1.4 million	
Municipalities served	Gas distribution: 264 Electricity distribution: 26 District Heating: 16 Public lighting: 152 Heat management: 162	Water system: 237 Sewerage and purification: 239	Waste collection: 189
Residents served	3.5 million	3.6 million	3.3 million
Volumes	Gas sold: 2.6 billion cubic metres Electricity sold: 9.1 TWh	Water sold: 294.6 million cubic metres	Waste collected: 2.0 million tons Waste disposed of: 6.4 million tons

Customers and municipalities served in the local areas (regulated services)

Local area	Company	Energy services	Water services	Waste Management Services	At least one service
Bologna Area	Hera	805 thousand (93%)	847 thousand (98%)	690 thousand (80%)	847 thousand (98%)
Ferrara Area	Hera	198 thousand (56%)	252 thousand (71%)	133 thousand (38%)	303 thousand (85%)
Forlì-Cesena Area	Hera	327 thousand (83%)	396 thousand (100%)	396 thousand (100%)	397 thousand (100%)
Imola-Faenza Area	Hera	195 thousand (76%)	257 thousand (100%)	257 thousand (100%)	257 thousand (100%)
Modena Area	Hera	474 thousand (68%)	466 thousand (66%)	494 thousand (70%)	498 thousand (71%)
Padova Area	AcegasApsAmga	325 thousand (35%)	299 thousand (32%)	264 thousand (28%)	415 thousand (44%)
Pesaro-Urbino area	Marche Multiservizi	247 thousand (61%)	283 thousand (69%)	271 thousand (66%)	331 thousand (81%)
Ravenna Area	Hera	239 thousand (87%)	277 thousand (100%)	277 thousand (100%)	277 thousand (100%)
Rimini Area	Hera	34 thousand (10%)	326 thousand (98%)	309 thousand (92%)	326 thousand (98%)
Trieste Area	AcegasApsAmga	222 thousand (94%)	236 thousand (100%)	213 thousand (91%)	236 thousand (100%)
Udine, Gorizia and Pordenone Area	AcegasApsAmga	515 thousand (72%)	-	-	515 thousand (72%)
Hera Group		3.5 million (65%), 268 municipalities	3.6 million (76%), 239 municipalities	3.3 million (69%), 189 municipalities	4.4 million, 358 municipalities

Number of municipalities and residents in the municipalities in which Hera manages at least one energy service (distribution of gas or electricity, or district heating), water service (water systems, sewage or treatment) and waste management service (separated or non-separated waste collection, or sweeping) and the percentage of total residents in the province or the local area (as at 1 January 2014, source: ISTAT). The local area of Imola-Faenza includes 3 municipalities belonging to the Province of Florence in which Hera manages energy, water and waste management services. The Padua area includes 1 municipality from the Province of Venezia in which AcegasApsAmga manages water services. The area of Pesaro-Urbino includes 6 municipalities belonging to the Province of Ancona in which Marche Multiservizi manages the waste management services.

Mission and values

The Mission

“Hera’s goal is to be 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 by respecting the local environment.

For Hera, being the best means inspiring the pride and trust of:

- **customers**, who receive, thanks to Hera’s responsiveness to their needs, quality services that satisfy their expectations;
- **the women and men** who work at Hera, whose skills, engagement and passion are the foundation of the company’s success;
- **shareholders**, confident that the economic value of the company will continue to be generated, in full respect of the principles of social responsibility;
- **the areas in which Hera operates**, where economic, social and environmental wealth represent the promise of a sustainable future;
- **suppliers**, key elements in the value chain and partners for growth.”

Charter of Values

Integrity: Proud to belong to a group of people known for their honest and upright conduct

Transparency: Sincere, clear messages for all stakeholders

Personal responsibility: Shared commitment to the good of the company

Consistency: Living up to our Mission and Values

Company operational principles

Creation of value and social and environmental responsibility: To be a company that is built to last, and to improve society and the environment for future generations

Service quality and excellence: Putting customers first, as a trustworthy provider of services and safety

Efficiency: Promoting the value of available resources, never wasting them

Innovation and ongoing improvement: Feeling you are part of a team that generates ideas and improvement

Engagement and optimisation of personnel: Sharing knowledge for self-improvement and improvement

Empowerment to choose: Selecting the optimal solution for growth

The company’s Mission, Charter of Values and Operational Principles are set forth and detailed on the Group’s website, on the corporate intranet and in the Code of Ethics, which is revised every three years.

The Mission, Values and Operational Principles were created with the participation of the Hera Group’s entire workforce and were approved by the Board of Directors of Hera S.p.A.

Sustainability for the Hera Group

Sustainability as a key element of company strategy

Hera’s approach to sustainability

Sustainability has always played a key role in Hera’s strategy ever since its establishment. The approach adopted by the Group is based on **integrating sustainability** in its planning and control systems and, therefore, in the management of its business activities. This aspect has been effectively

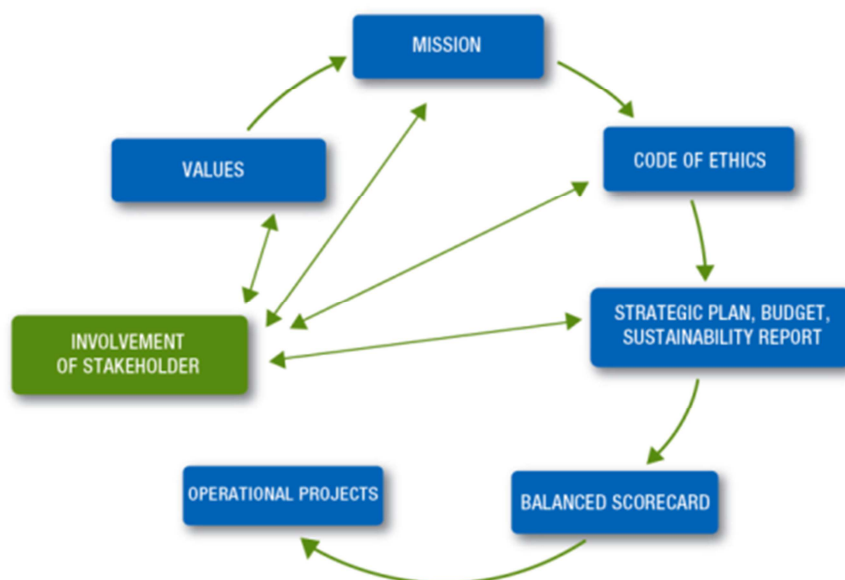
implemented through a balanced scorecard system involving all the company management and with our constant commitment to stakeholder reporting, which is confirmed by publishing the Sustainability Report on a yearly basis ever since the Group's establishment and since 2007 concurrently with the Financial Statements.

Competitiveness and sustainable development for the company and local area in which the company operates form the vision at the basis of Group's approach towards corporate social responsibility and sustainability.

The Company's mission and values have merged into the Code of Ethics (updated every three years with the involvement of employees), forming the basis of corporate conduct and serving as a point of reference for all the people working in the Group. These values shape the strategic and cultural focus based upon which the Business Plan is drawn up every year and the results are reported transparently to stakeholders. A balanced scorecard system makes it possible to translate the strategy into operational projects that are an integral part of the management incentive system.

This process features a wide range of listening and dialogue actions with stakeholders.

From strategy to daily management: a virtuous cycle



Integrating sustainability in the Group strategy

Hera Group's Business Plan for the 2014-2018 period confirms the steady goal of improving the company's economic results and the strong attention paid to a growth path founded on economic, financial, environmental and corporate sustainability.

The Group's strategy defined in the most recent Business Plan approved by the Board of Directors in 2014 is once again based on the central role of its multi-business strategy, on the robustness of the industrial and economic results achieved and on the availability of the skills attained by the Group in its 12 years of history. The Group developed its strategy by referring to 4 clearly defined priorities: **excellence, growth, efficiency and innovation**.

The development of the market environment and of the sectors it operates in requires the Group to move from a relative concept of "better" to an absolute one of **excellence**. Activities are mapped out along this line of action, such as a greater attention to customer needs, tailoring of services offered to customers

and improvement of the already excellent levels of compliance with quality standards of the service provided.

Growth is an essential target in a complex and competitive market such as ours, the pursuit of which will be guaranteed by targeted actions both inside and outside the Group's scope.

The focus of the Business Plan offers important growth opportunities by external lines; they are not only the result of the launching of **tenders for the concession of gas distribution and urban hygiene services** in the majority of the areas in which Hera operates, but are also the consequence of the orientation of governmental institutions towards the need to quickly promote an **aggregation process among Italian utilities** in order to draw out greater efficiency to the advantage of citizens through economies of scale and the adoption of best-practice models already put in place by a number of medium-large sized companies.

In this context, Hera is an obvious candidate for covering the role of aggregator in local public services thanks to its industrial position and to the many successful experiences it has achieved over the past years.

The Group's growth will also be driven by interventions focused on Hera's current scope of action through the promotion of ever-increasing **process efficiency and simplification**. By way of example: targeted actions to reduce leakages and minimise climate-changing gas emissions, but also a good number of energy efficiency projects, the promotion of separate waste collection and the sizing of the waste disposal plant pool tailored to the local area's needs and more in general all those activities aimed at drawing value from the managed assets.

Lastly, **innovation** - intended not only as the development of technological processes (e.g. remote control, smart grids) and business models, but also as the development of already existing tools and services - will be an important driving force that will help achieve the goals of the Business Plan by intensifying the opportunities for growth, efficiency and excellence.

The strategy outlined by Hera for the next years will not only make it possible to achieve important economic and financial results (EBITDA above 1 billion in 2018 and debt/EBITDA ratio down to 2.8), but also tangible results in terms of environmental and social sustainability, such as the increase in separate waste collection rising to 64% in 2018, the further drop in the percentage of urban waste collected and disposed of in landfills under 10% and around 300,000 tons of carbon dioxide avoided thanks to a generating capacity composed mainly of renewable or similar source plants.

The “balanced” scorecard of the Hera Group

The Balanced Scorecard approach enables us to assign “balanced” objectives to our management team, distributed over four areas: **development, quality and corporate social responsibility, organisational integration, and efficiency upgrading**.

It provides a methodology pinpointing strategy which it translates into objectives and day-to-day actions. The innovation of this approach consists of considering the achievement of objectives of social and environmental sustainability as a condition for the achievement of the economic and financial objectives over the medium and long term.

What is the balanced scorecard?

The balanced scorecard is a strategic control system which is based on the connection between strategy and the day-to-day running of the company. It was devised in the early 1990s by the American academics, R. Kaplan and D. Norton. It has generated an immense following among leading corporations in the USA and is now being taken up by major European players.

Each year, the **strategic map**, updated based on the contents of the business plan, provides a **summary of the Group's strategic objectives** and its commitments to stakeholders set forth in the Sustainability Report.

To achieve the **30 strategic objectives** for the purpose of increasing the company's long-term value, 46 priority projects were selected during the 2014 budgeting process. These were assigned to members of the Management Review Committee.

All of the projects planned within the 2014 balanced scorecard system were assigned to a manager and inserted into the bonus system for Group managers and middle managers.

Each project was defined, identifying:

- **the process and result indicators** with targets in line with the budget of the Group, as well as the corporate departments required for their achievement;
- **the key action plan** for achievement of the project objectives in terms of time and cost.

The objective projects identified were monitored on a quarterly basis by the Hera S.p.A. Management Review Committee and in the individual Budget Units.

The definition of **objective projects** and the related **quarterly monitoring system** of the project elements are a significant strategic management instrument that ensures:

- integrations of the various perspectives for the evaluation of corporate performance, in addition to traditional economic and financial measurements;
- integration of plan objectives into the daily management of managers and middle managers;
- implementation of a continuous improvement process for strategic objectives and the relative projects and indicators;
- Highlighting and analysis of situations that is critical for the achievement of the objectives that have been set and the definition of speedy corrective actions.

The strategic objectives which have the greatest impact on sustainability are:

- **Reduction of environmental impacts.**

Minimising the direct and indirect environmental impact of corporate activities to safeguard the natural environment on behalf of future generations.

Reducing the use of environmental resources by increasing by 5% electricity and thermal energy production from traditional renewable sources within 2018 and by increasing by 14% electricity and thermal energy production from renewable sources and similar sources.

Further decreasing the disposal of urban waste in landfills (9% in 2018), developing separate waste collection (64% in 2018; 65% in 2018 for Hera S.p.A), with a 21% increase in separate waste collection per capita.

Progressing with initiatives of efficient energy consumption with regard to plants, facilities and vehicles (19.2% of vehicles with reduced environmental impact for the Hera Group in 2018), and containment of water network losses (28.8% in 2018).

Progressing with the plan to modernise the Group's treatment plants, in compliance with investments forecast in the area plans.

- **Increasing quality and safety.**

Investing to improve the quality of the service and the relations with customers to acquire a competitive advantage, also in calls for tenders for the assignment of

regulated services. Maintaining high levels of compliance with commercial quality standards for gas and electricity services, and the standards set forth in the Service Charters for water services and district heating (98.5% in 2018 for all services and all performances).

Guaranteeing average call centre waiting times of 90 seconds for residential customers and 30 seconds for business customers and average branch waiting times of 12.5 minutes.

Guaranteeing gas service safety by maintaining a positive gap between Hera service levels and regulatory requirements (network inspections and emergencies).

Completing the gas, water and electricity network modelling. Continuing the roll-out plan for the Group's electronic gas meters in accordance with the deadlines defined by AEEGSI and in compliance with the intermediate obligations introduced at the end of 2013.

- **Playing a leading role for the sustainable development of the local area.**

Enhancing, reporting and communicating Hera's contribution to the sustainable development of the local area also with regard to other geographical areas.

Ensuring the sustainability of the services provided in the area by making overall Group investments during the 2014-2018 period totalling around Euro 2.1 billion: over Euro 1.4 billion in the networks (512 million in the integrated water cycle sector) and almost Euro 530 million in the waste management sector.

Regarding network investments, developing specific, innovative smart city sustainability projects (development of gas, water and energy networks, smart metering and new city services).

- **Workplace prevention and safety.**

Preventing and reducing occupational health and safety risks by implementing management systems, performing training, and involving and raising awareness in employees on workplace safety objectives and goals.

Endeavouring to further reduce accident indices.

Improving the monitoring and management of measures for protecting workplace health and safety also by implementing the new prevention and protection information system.

Gradually extending Hera's approach to workplace health and safety to all Group suppliers and the monitoring of accident rates to 70% of suppliers in terms of value ordered.

- **Dialogue with stakeholders and the local area.**

Strengthening stakeholder dialogue initiatives by ensuring transparent communication of results.

Consolidating and promoting the model of a socially responsible business capable of reaching a balance between different interests, in order to improve competitiveness over the long term and create shared values in the local areas.

Promoting Hera's contributions to economic, social and environmental development for the local area and for stakeholders, including through specific consultation activities and dialogue with stakeholders. More specifically, continuing the HeraLAB project by completing the creation of local multi-stakeholder advisory boards in all the local areas in which Hera S.p.A. operates, according to the previously approved programme.

Strengthening relations and dialogue with Local Bodies by defining and implementing a series of meetings and supporting tools.

Innovating sustainability reporting also through the creation of a specific report on energy efficiency.

- **Involvement of workers.**

Implementing systematic instruments for listening and dialogue with the workforce and adopting the consequent corrective actions (biennial internal climate surveys and improvement plans, downward communication, meetings between Top Management and employees, etc.). Further improving the internal communication tools.

Continuing to invest in employee satisfaction through the climate survey (performed every two years) and developing specific improvement actions geared towards full integration with AcegasApsAmga and Marche Multiservizi.

Maintaining the positive internal climate index trend, reaching a satisfaction survey index of 64 in 2018.

Defining and implementing an integrated Group welfare system.

- **Career advancement and efficient use of skills and know-how.**

Making learning processes more efficient in order to support technological and organisational innovation also by extending them to other local areas (HerAcademy development, identification and enhancement of the Apprenticeship Communities, and knowledge sharing by means of the Scuola dei Mestieri (School of Trades) events and “Hera teaches you a trade... at school”).

In line with the leadership model, promoting the acquisition of managerial skills necessary to be ready for an ever-evolving competitive context.

Continuing with the resource enhancement projects, creating a coaching-oriented culture and continuing with the implementation of individual development paths towards roles of responsibility for high-potential workers.

Increasingly make the Group’s approach to optimising diversity and respect for equal opportunities a concrete reality.

- **Alignment with Code of Ethics principles.**

Ensuring constant spread of the company Charter of Values and Code of Ethics in the third version approved by the Board of Directors in January 2014. Monitoring its compliance in the third year of its application by fully developing the implementation system defined by the Board of Directors.

- **Group identity and corporate culture.**

Disseminating corporate values and culture with the aim of increasing the sense of belonging of the entire workforce.

Ensuring dissemination of the contents of the Charter of Values and the Code of Ethics (including its implementation system) after changes in the scope (acquisitions, integrations, etc.) also by performing training activities for the workforce with special reference to newly hired employees and middle managers.

Completing, within the plan’s timeframe, the implementation of the integrated Leadership Model with the performance assessment system and continuing its dissemination in recently acquired companies thus favouring alignment between corporate conduct and culture.

Updating and reviewing the Model contents and defining consistent implementation actions.

- **Promotion of QSE policy for energy and social responsibility issues**

Promoting within the Group the development of an integrated and certified management system, disseminating a culture of respect for and enactment of QSE, energy and social responsibility policy commitments.

Endeavouring to maintain the certifications obtained in order to minimise risks and increase the company’s competitive position.

Obtaining ISO 50001 energy management certification for Hera S.p.A. and extending it to other Group companies according to the plan.

Improving working conditions continuously and promoting the adoption of conduct consistent with SA8000 requirements by all the companies working for the Group.

The commitments to stakeholders listed in this report (“We shall...”) are contained in the Hera Balanced Scorecard. This is to provide guarantees of coherence among the various instruments used for the management and achievement of the Group strategy (Business Plan, Sustainability Report, management reporting, bonus system).

Sustainability KPIs

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Economic Responsibility										
Value added (in millions of €)	722.1	802.5	817.1	923.8	977.4	1,010.4	1,042.6	1,075.6	1,354.8	1,387.2
Total investments**** (in millions of €)	346.9	504.8	471.8	429.7	429.3	353.9	324.9	289.3	313.5	337.0
ROI	8.8%	8.6%	7.4%	8.9%	8.1%	8.5%	8.7%	8.2%	8.2%	8.7%
EBITDA per open ended contract employee (thousands of €)	65.4	68.5	74.2	82.7	87.5	93.6	99.4	101.2	98.6	103.1
Total return for shareholders since listing (%)	94.2%	184.6%	171.8%	53.0%	70.0%	72.1%	42.3%	59.7%	100.8%	125.2%
Social Responsibility										
Open-ended contract employees (average annual % of total workforce)	95.5%	93.2%	92.7%	93.7%	95.0%	95.8%	96.2%	97.0%	96.6%	97.0%
Average hours of training per capita	18.5	20.1	24.3	33.2	23.0	23.0	28.1	27.5	26.4	28.0
Workforce attending at least one training course (%)	82.2%	92.5%	92.1%*	97.6%*	93.4%*	96.0%*	95.6%*	97.1%*	97.3%	96.9%
Accident frequency index (number of accidents/hours worked x 1,000,000)	49.6	49.2	43.6	42.1	35.1	30.4	25.4	25.5	23.9	22.6
Internal climate index (score 0-100)	50	-	53*	-	58*	-	64*	-	61*	-
Index of customer satisfaction for residential customers (score 0-100)	67	67	65*	67*	69*	69*	70*	69*	70***	69*
Compliance with AEEGSI and Service Charter quality standards (gas, electricity, integrated water service, district heating)	94.7%	94.6%	94.8%	95.8%	97.5%	98.6%	98.7%	99.5%	99.3%	99.6%
Emergency gas services: percentage of calls with intervention within 60 minutes	94.7%	96.3%	96.8%	96.5%	96.8%	97.8%	98.9%	98.7%	98.7%	98.3%
Average call centre response time for residential customers (seconds)	70.2	34.5	46.2*	66.1*	33.2*	33.8*	37.4*	39.9*	49.0***	40.0***
Average branch operator waiting time (minutes)	26.9	23.7	20.7*	19.3*	14.6*	14.5*	10.5*	9.9*	13.2	11.9
Value of supplies from local suppliers (% of total)	-	-	-	66%*	68%*	64%*	65%*	65%*	64%***	66%
Contracts awarded using the economically most advantageous bid (% of total)	-	-	-	-	36.0%*	44.6%*	53.0%*	70.2%*	76.1%***	76.5%***
No. environmental education programme students	33,505	37,622	36,014	45,617	39,901	41,306	52,017	51,906	65,331	64,255
Environmental responsibility										
Portion of energy produced from renewable sources (incl. waste-to-energy at 51%)	25.2%	27.6%	27.3%	32.0%	27.6%	25.8%	30.0%	29.1%	34.9%	38.3%
Portion of energy produced from renewable sources (incl. waste-to-energy at 51%) and similar	50.8%	51.2%	51.1%	54.0%	63.1%	67.8%	72.8%	71.4%	71.3%	69.9%
Waste-to-energy plant emission levels vs. legal limits (real concentrations/legal limits: optimal value <100%)	22.4%	21.2%	19.3%	17.1%	13.4%	13.0%	12.0%	11.0%	13.6%	14.4%
Quality of treated water vs. legal limits (real concentrations/legal limits: optimal value <100%)	-	-	-	-	35.5%*	36.1%*	38.3%*	40.8%	40.4%	38.2%
Intensity index of greenhouse gas emissions (kg/MWh)	-	-	-	-	-	-	628*	583*	549***	535***
Non-invoiced water (physical and administrative losses from the domestic water system): cm/km of network/day	-	8.48	8.33*	8.00*	7.87	7.93	7.71	8.13	10.02	-
Separate waste collection	28.9%	31.2%	36.0%	42.0%	44.8%	47.8%	50.5%	51.9%	52.6%	54.0%
Kilos of separate waste collection per capita	199	217	250	297	310	340	346	350	343	351
Vehicles using low environmental impact fuels. (Methane, LPG, Electric powered) (% of total)	9.2%	13.7%	14.0%	15.8%	17.6%	18.4%	19.2%	19.3%	17.1%	18.5%
Portion of urban waste collected for disposal via landfill (% total collected solid waste)	-	37.0%	37.3%	36.0%	30.1%	25.0%	23.1%	21.4%	16.4%	12.9%

Including Marche Multiservizi since 2007 and including AcegasApsAmga since 2013 except as expressly stated.

*Excluding Marche Multiservizi **Excluding AcegasApsAmga ***Excluding Marche Multiservizi and AcegasApsAmga. ****From 2013 included FoNI (Fondo Nuovi Investimenti)

Sustainability and risk management

A solid governance system, based on statutory procedures

Corporate governance

Hera is a multi-utility company with **public sector majority shareholders and a markedly diversified shareholder base**. Regarding Corporate Governance, the Group adopted statutory procedures, with specific attention **to the implementation of the principles contained in the Code of Conduct prepared by Borsa Italiana**.

The main governance bodies of Hera are the Board of Directors, the Executive Committee, the Board of Statutory Auditors, the internal committees and the Shareholders' Meeting. The Board of Directors is supported in its duties by two committees: the Remuneration Committee and the Control and Risks Committee. The Board of Directors has also established a Supervisory Body pursuant to Legislative Decree no. 231/2001, as well as an Ethics Committee to monitor the dissemination and implementation of the principles in Hera Group's Code of Ethics.

The Board of Directors

The Articles of Association currently in force establish that the Board of Directors be comprised of 14 members elected on the basis of lists. Specifically, they provide that 11 members be selected from a majority list while the remaining 3 members be selected from a minority list. They also envisage that the composition of the Board of Directors must ensure the equal balance of gender required by current laws and regulations.

The local authorities holding shares have entered into a Voting Trust and Share Transfer Rules Agreement - renewed with effect from 1 January 2015 - which provides clauses on the method of forming the majority list, which will be renewed every three years starting from 1 July 2015. There is also another consultation agreement signed by 5 minority shareholders for the appointment of members of the Board of Directors.

The Articles of Association provide that the Board **shall meet at least once every quarter** or whenever the Chairman considers it necessary or a meeting is requested by at least one third of its members or by the Board of Statutory Auditors; they furthermore provide that the Board be vested with broad and unrestricted powers for the ordinary and extraordinary management of the company. It is empowered to carry out all such actions it deems necessary and appropriate for achieving the company purpose except those placed strictly under the responsibility of the Shareholders' Meeting, by law or the Articles of Association.

The Board of Directors **met 11 times in 2014**.

The Board of Directors, appointed on 23 April 2014, will remain in office until the Shareholders' Meeting for approval of the Financial Statements as at 31 December 2016.

Six directors of Hera S.p.A. are aged between 30 and 50, 8 directors are over 50 years of age.

As set forth in the Code of Conduct of Borsa Italiana, the Annual Report on Corporate Governance illustrates the requisites for the non-executive, independent directors of Hera S.p.A. The remuneration paid to Hera S.p.A. directors is illustrated in the Remuneration Report.

Hera S.p.A.: Board of Directors

Office	Name and Surname	Executive Director	Independent Director	Committees*
Chairman	Tomaso Tommasi di Vignano (1)	X		EXEC
Managing Director	Stefano Venier (1)	X		EXEC
Vice Chairman	Giovanni Basile (1)		X	EXEC, REM, CONT
Director	Mara Bernardini (2)		X	REM
	Forte Clò (1)		X	
	Giorgia Gagliardi (1)		X	
	Massimo Giusti (1)		X	CONT, ET
	Riccardo Illy (1)		X	EXEC
	Luca Mandrioli (2)		X	REM
	Danilo Manfredi (1)		X	CONT
	Cesare Pillon (1)			
	Tiziana Primori (1)		X	
	Stefano Manara (1)		X	CONT
	Bruno Tani (2)		X	

* EXEC: Executive Committee; REM: Remuneration Committee; CONT: Control and Risks Committee; ET: Ethics Committee

(1) Appointed by the Shareholders' Meeting from lists presented by the majority shareholders

(2) Appointed by the Shareholders' Meeting from lists presented by the minority shareholders

The Board of Statutory Auditors

The Board of Statutory Auditors, appointed at the Shareholders' Meeting held on 23 April 2014, will remain in office until the approval of the financial statements for 2016. It is **the corporate body that monitors correct administration**, especially insofar as the adequacy of the organisational, administrative and accounting structure adopted by the directors and its operation.

The Articles of Association establish that the members of the Board of Statutory Auditors are appointed, in compliance with the equal balance of gender required by current laws and regulations, on the basis of the lists submitted by the Shareholders in order to ensure that the minority appoints the Chairman and an alternate auditor, and that the majority appoints the remaining two permanent members and one alternate member.

The Executive Committee

The Executive Committee was appointed by the Board of Directors on 28 April 2014, pursuant to article 23.3 of the Articles of Association. With regard to the yearly definition of the Group's Business Plan and the proposed appointments of top level managers, **the Executive Committee has the duty to express an opinion prior to their submittal to the Board of Directors**. It is also expected to adopt resolutions in relation to: defined brackets of amounts, concerning contracts and agreements related to the corporate purpose; consultancy relationships with outside professional experts; the company's membership in organisations, associations and other bodies; the settlement of disputes and releases of creditor claims; acts amending or terminating contracts for credit lines and loans; the launching of tenders and/or the stipulation, amendment and termination of investment contracts; and the quarterly review of the Reports for the analysis and monitoring of financial risks.

The Executive Committee is composed of the Chairman, Vice Chairman and Managing Director, as well as a director appointed together with the Municipalities of Padua and Trieste.

The Executive Committee met 4 times in 2014.

The Remuneration Committee

The Remuneration Committee was appointed by the Board of Directors on 28 April 2014. **The task of this committee is to make proposals to the Board of Directors**

with regard to remuneration of the Chairman, the Managing Director and directors who cover specific roles, as well as to propose the general criteria to be adopted with regard to remuneration of senior managers and middle managers. The Committee met 3 times in 2014.

The Committee is made up of four non-executive independent directors, and upon invitation by the Committee Chairman, the Managing Director and the Chairman of the Board of Directors may participate in its meetings.

The Ethics Committee

Appointed by the Board of Directors of Hera S.p.A. on 28 April 2014, it has the task of **monitoring the dissemination and implementation of the Code of Ethics**. It receives the reports on violations of the Code and assesses whether to begin proceedings.

It is composed of an independent director of Hera S.p.A. (Committee Chairman), the Corporate Social Responsibility Director and an external member.

On 24 March 2015, the Ethics Committee submitted to the Hera S.p.A. Board of Directors the annual report set forth by article 72 of the Code of Ethics on the activities carried out and reporting received during 2014.

The Ethics Committee met 10 times in 2014.

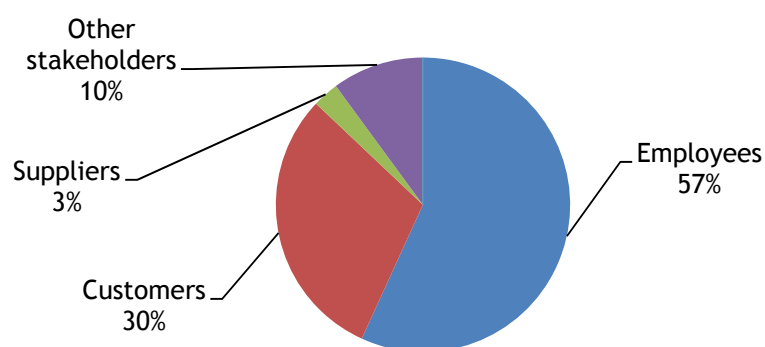
Ethics Committee activity in 2014

In 2014 the Ethics Committee examined overall 26 reports: 19 from employees, 6 from customers and 1 from other stakeholder categories (shareholders). The reports received by the Ethics Committee since its establishment in 2008 increased to 138: 57% were received from employees.

The 19 reports from employees mainly regarded interpersonal relationships; cooperation between corporate departments and personnel management by managers. Regarding the 7 reports from employees, the Committee promoted solutions, thanks to the dialogue and sharing process set up, identified at the end of in-depth discussions or requests for clarifications to the competent structure. In the remaining cases, the Committee provided a reply clarifying the issues raised, also as regards the competences of the Committee itself.

Following some reports from employees, the Ethics Committee sent a recommendation to the Diversity Management Group in order to express its support and approval of a project launched by the working group and aimed at promoting a more efficient and effective use of emails.

Reports by stakeholder 2008-2014



The 6 reports from customers mainly regarded invoicing errors or long request/complaint management times. In one case, the evaluation led to solving the issue reported, while in the remaining cases it allowed thorough clarification to be provided to the reporting party.

Out of the 26 reports, 3 were assigned to other corporate functions as provided for by Art. 76 of the Code of Ethics. On 31/12/2014, 2 reports were still being investigated.

Risk management

Hera has adopted an organisational structure suited to adequately manage the exposure to risk inherent in its business. It has defined an integrated approach aimed at maintaining management effectiveness and profitability along the entire value chain.

The internal control system for risk management implemented in Hera allows management strategies to be addressed consistently. In this system:

- the **Board of Directors** steers and evaluates the adequacy of the Internal Control and Risk Management System;
- the **Executive Chairman and the Managing Director** monitor, within their competence, the operation of the internal control and risk management system;
- the **Vice Chairman** monitors the coordination between the Risk Committee and the Control and Risks Committee;
- The **Control and Risks Committee** supports the Board of Directors in defining the guidelines of the internal control and risk management system;
- The **Risk Committee** is the main body that steers, monitors and reports the risk management strategies adopted. It defines the general guidelines for the Risk Management process, guarantees the mapping and monitoring of corporate risks, assures the definition of the Risk Policies and defines the protocols for reporting to the Control and Risks Committee, the Internal Auditing Department and the Board of Statutory Auditors.

In Hera, there is an appropriate separation between the role of risk control and management (entrusted to the risk owners in the various organisational units) and of evaluation of the appropriateness of the risk management processes. Specifically, the proper and effective operation of the Internal Control and Risk Management System is monitored at centralised level by the Internal Auditing Department, which reports directly to the Vice Chairman of the Board of Directors.

Furthermore, in the overall design of the risk management process, Hera has adopted the Enterprise Risk Management best practice that aims at defining a systematic approach that is consistent with risk control and management. It has created an effective model with steering, monitoring and representation functions, oriented towards the adequacy of the management processes and their compliance with top management's goals.

This approach is expressed by centralising the steering activities of the Risk Management process in the Risk Committee. A risk appetite framework is defined as well as guidelines for managing risks, for monitoring the risk assessments performed and for representing risks through the consolidation of the Group's significant risks on the basis of the risk assessment results, thus ensuring a unified view and effective supervision.

The two main corporate bodies in charge of supervising risks are described in greater detail below, according to their respective responsibilities.

Control and Risks Committee

The function of the Control and Risks Committee, which was appointed by the Board of Directors on 28 April 2014, is to consult and propose. It is composed of four independent, non-executive directors. Its duty, in application of Principle 7 of the Code of Conduct, is to monitor the functioning of the internal control

system, the efficiency of corporate operations, the reliability of financial information, as well as compliance with the law and regulations and the protection of corporate assets. The Procedure for Transactions with Related Parties implemented by the Board of Directors in December 2010 requires that the Control and Risks Committee be responsible for guaranteeing the transparency as well as the substantial and procedural correctness of operations with related parties by issuing a specific opinion. Moreover, from the month of May 2014, a specific Operating Instruction is applied to Hera and its subsidiaries, which was drawn up to give details on the Procedure and to describe the rules, roles and responsibilities, and the operational activities implemented by the Company.

This Committee also has the task of supporting, with adequate investigations, the Board of Directors in its evaluations and decisions regarding the risk management system. The Chairman of the Board of Statutory Auditors or an Auditor appointed by Chairman attends the Committee's meetings as well as the Managing Director and the Chairman of the Board of Directors, at the explicit request of the Chairman of the Committee.

The Control and Risks Committee met 8 times in 2014.

The Risk Committee

The Risk Committee was established in March 2011 and is composed of the Executive Chairman, Managing Director and Vice Chairman of Hera S.p.A., the Administration, Finance and Control Director, the Market Central Director and the Enterprise Risk Manager. Furthermore, in relation to specific issues falling within their competence, the Legal and Corporate Central Director, the Corporate Services Central Director, the Innovation Central Director and the Managing Director of Hera Trading S.r.l. may take part in the meetings.

The Risk Committee is the main body that steers, monitors and provides information about risk management strategies, and has the following tasks:

- defining general guidelines for the Risk Management process; ensuring corporate risk mapping and monitoring;
- ensuring the definition of risk policies and measurement parameters to be submitted for approval to the Board of Directors of Hera S.p.A.;
- guaranteeing six-monthly reporting to the Board of Directors;
- defining and ensuring the submission of information protocols to the Internal Committee, the Internal Auditing Division and the Board of Statutory Auditors.

The significant risks addressed within the Risk Committee refer to the following areas: strategic, energy, financial, credit, insurance, information and communication technology, safety and the environment, and business continuity.

Risk analysis for definition of the Audit Plan

Regarding specific risks related to the topics included within the scope of Legislative Decree no. 231/2001, the Supervisory Body approved the Risk Assessment 231 for the 2013-2015 period and the related Audit Plan. The plan was drawn up on the basis of the risk assessments, any extension to companies which were previously excluded from the Group's Project 231, coverage of new processes, regulatory developments and the extension of the scope of activities of the companies. The risk assessment and the Audit Plan were approved by the Board of Directors of Hera S.p.A.

The organisational model for corporate crime prevention

Legislative Decree no. 231/2001 introduced a regime of administrative liability into the Italian legal structure. These measures are applied to entities which commit crimes in their own interest or to their own advantage. These crimes may be committed by natural persons acting as representatives, directors or managers on behalf of the entities, or by natural persons acting under the supervision of such persons or subjected to supervision on their part.

The Board of Directors of Hera S.p.A. and the main subsidiaries of the Group adopted an Organisation, Management and Control model (called “Model 231”) to ensure conditions of fairness and transparency in conducting business and company activities. The model includes the principles of conduct formalised in the Code of Ethics.

The total of Group companies provided with a “Model 231” includes 96.0% of Group employees. This includes Hera S.p.A., Acantho, Akron, AMGA Calore & Impianti, AMGA Energia & Servizi, ASA, Enomondo, Fea, Feronia, Hera Comm, Hera Luce, Hera Servizi Energia, Hera Trading, Herambiente Recupero, Herambiente, Herambiente Servizi Industriali, Medea, Romagna Compost, Sinergia and Uniflotte. Furthermore, AcegasApsAmga and Marche Multiservizi are provided with their own “Model 231”.

Following the mapping of “sensitive” company activities, at risk of the offences included in the Decree, the Group companies defined specific protocols to be followed in carrying out specific activities, and made the consequent information flows available on a periodic basis. These protocols are circulated to the entire workforce through the corporate intranet. Their application is monitored during the audit phase. No cases of corruption have arisen that result in advantages being gained by the Group, and thus, defined as significant as per “Model 231”.

In 2014, “Hera Group’s Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001” underwent periodical updating in order to take into account regulatory developments. The following protocols were reviewed in 2014 also: “Management of Relations with Shareholders, Statutory Auditors and Independent Auditors”, “Hera S.p.A. Separate Financial Statements and Group Consolidated Financial Statements”, “Information Security”, “Disposal of Vehicles” and “Management of Environmental IPCs”.

The Internal Auditing Department ensures assistance to various corporate functions in drawing up and implementing necessary corrective actions following the audits. It also updates the disclosure version of the Hera Group Model 231, after which information and widespread diffusion activities are carried out on the corporate intranet.

The nature of risks and their management

The risks related to the business in which Hera operates and the actions seeking to prevent and mitigate them may be summarised according to the following categories:

Risks related to the market liberalisation process and to regulatory changes

The energy markets in which the Group operates are subject to a gradual liberalisation process that is implemented in different ways and with different timelines. This exposes the Group to increasing competitive pressure due to the entry of new operators and to the development of organised markets. In Italy, especially for the electricity business, the Group competes with other national/international producers and traders that sell electricity on the Italian market to industrial, commercial and residential customers. Even as regards the natural gas business, the Group must tackle increasing competition both nationally and internationally which could lead to a drop in its sales margins.

In order to mitigate this risk, the Group has addressed the challenge of liberalisation by increasing its presence and its customer base on the free market through cross-selling activities, thus completing the range of services offered to customers and strengthening loyalty. This activity has improved quality and post-sales management service costs for customers and at the same time has reduced new customer acquisition costs.

Risks related to the development of the legislative and regulatory framework and to the revision of tariffs in the regulated waste, water and energy sectors

The Group operates in regulated markets or regulated schemes in which there is a regulatory risk connected to the definition of the tariff criteria by the national

Authority (AEEGSI). A change in the legislative and regulatory framework, both at national and European level, could have a significant impact on the Group's business thus influencing the profitability of the sectors in which Hera carries out its business directly or through its subsidiaries. Furthermore, the regulated tariff regime and the Authority's regulatory interventions could establish, across several businesses, the application of tariffs to final customers and of remuneration mechanisms on the invested capital. This could affect the Group's operating performance and results negatively.

In order to address this risk, the Group has adopted an organisational structure that manages its relations with national and local Authorities. The structure carries out extensive consultation activities with institutional stakeholders, taking active part in the work groups set up by the Authority and adopting a transparent, collaborative and proactive approach towards any situations of instability in the regulatory framework.

Regulated business risks associated with the concessions of local and national authorities

The regulated activities pertaining to the waste collection, gas and electricity distribution, integrated water and public lighting services, which represent around 56% of the Group's EBITDA, are the result of existing concessions with local authorities (in the case of the integrated water service, gas distribution, waste management and public lighting) or national authorities (in the case of electricity distribution).

The Group is subject to the risk that the concessions may not be renewed when they expire or, should they be renewed, that conditions at least comparable to those currently available are not maintained. This risk, however, is mitigated by the presence of a mechanism for reimbursement to be paid to the outgoing operator equal to the industrial residual value of the concession.

Risks connected to failure to obtain authorisations, permits and licences

The Group's ability to achieve its strategic objectives could be adversely affected if it is not able to maintain or obtain the required licences, authorisations or permits for the regular performance of its business.

This risk is mitigated by constantly supervising the authorisation processes and taking part actively in working tables in order to achieve relevant permits, licences and authorisations.

Risks related to legislation on environmental impact

The Group's activities are subject to several environmental statutes, laws and regulations, including those on CO₂ emissions, sewage, and hazardous and solid waste management.

The Group is able to tackle environmental risks both through ongoing pollution monitoring activities so as to ensure transparency when measuring CO₂ emissions, and through major investments in purification and reclamation plants that guarantee water quality in compliance with the limits provided for by law. In the environmental sector, it also carries out considerable integrated waste collection activities in order to increase the percentage of waste treated at selection, recovery and composting plants, and reduce the use of landfills, in line with the provisions of national and European legislation.

Risks related to climate variability and interruption of services

Electricity and natural gas consumption levels depend significantly on climate changes which can lead to major differences in energy demands and, therefore, in the Group's sales mix. Adverse weather conditions could also influence the regular supply of energy and water due to damages to the network, water shortage or contamination of water reserves, thus leading to interruption of the service or significant damages both of an environmental and economic or social nature.

In order to tackle these risks, the Group makes important investments designed to guarantee the effectiveness and efficiency of the distribution system. It also carries out constant monitoring and maintenance of its networks in order to guarantee that services are supplied constantly even in the presence of temporary interruptions on one or several pipelines.

Operating and industrial risks

The Group may have to tackle risks related to the malfunctioning of its plants or to adverse accidental events which compromise temporary operations and production capacity.

In order to mitigate this risk, the Group adopts prevention and protection systems within each operating sector, including preventive and predictive maintenance aimed at detecting and controlling risks. Furthermore, it manages risks by making use of specific insurance contracts that mitigate the economic consequences of potentially adverse events that could influence the running of its plants and networks. In this regard, Hera transfers the risk externally through optimised use of insurance policies provided by leading international insurance companies.

Specifically, the tender for the renewal of Hera Group's insurance programme, concluded in 2014, produced positive results both in economic and technical terms. This is an evident sign of renewed confidence by the national and international insurance market in the Group's ability to manage risks in a balanced way through the implementation of prevention and protection activities and through transfer of the risks to the insurance sector. Furthermore, in 2014, the technical audits were concluded with positive results. They were conducted at the company's leading waste management and cogeneration centres by RAS (Royal Sun Alliance insurance company) which used its own international network of risk assessment specialists. The audits were conducted together with the company site team. Upon their completion, the insurance specialists of the audit presented the results in terms of: qualitative assessment of the risks inherent in every site, list of possible risk scenarios, and list of loss prevention and loss mitigation recommendations. The audit results were very good overall and no critical situations were found in any of the sites analysed.

The Group gives special focus to workplace safety control and management and to ICT risk control and prevention, especially risks that have an impact on the logical security of information, the security of information and communication networks, and the reliability of remote control. Ensuring that the operation of plants and sites complies suitably with environmental regulations is a primary objective for the Group that works proactively and invests significant economic resources to achieve standards of excellence.

In order to mitigate and prevent these types of risk, the Group implements workplace safety management and control to ensure timely monitoring and ongoing reduction of the frequency and severity of accidents. With regard to ICT, the Group strongly invests in prevention in order to reduce the frequency of hazardous events through projects such as Disaster Recovery and Business Continuity, and through the integration of the Intrusion Detection System with Integrated Information System processes and encryption of laptops.

Risk connected to the macro-economic context

The Group operates mainly in Italy, where the economic scenario is still difficult featuring a slowdown in the consumption of energy and in the volumes of waste disposed of. The decline in energy demands leads to pressure on trading margins that, added to the greater competition on the free market, may impact the Group's profitability.

Furthermore, changes in the levels of retail energy consumption could require Hera to acquire or sell additional energy at unfavourable conditions. To this end, in selling energy, the Group has maintained flexible supply sources of energy commodities. At the same time, it has developed hedging activities to avoid

exposure to operational electricity generation risks (not included in the Group's core activities) and to long-term contractual gas supply formulas (with "Take or Pay" clauses). Regarding waste management activities, some old plants were replaced with new generation plants provided with more efficient and top-performing technologies in terms of environmental impact.

Credit risk deriving from commercial activities

The Group's commercial activities determine a credit risk, understood as being the possibility that an unexpected change in the creditworthiness of a counterparty has an impact on the credit position in terms of insolvency (default risk) or of variation in the market value (spread risk). The economic crisis of the past years has led to a tendential increase in the counterparties' payment deadlines.

In order to minimise credit risk, the Group is provided with a credit management and monitoring policy which regulates the evaluation of customers and financial counterparties, the monitoring of expected cash flows, the granting of deferments and, if necessary, the assumption of banking or insurance guarantees. Furthermore, risk exposure is monitored in a structured manner so as to immediately identify the degeneration of outstanding credit quality and the implementation of actions for the recovery and application of default interest on late payments.

Commodity price risk

In relation to the wholesale activities carried out by the subsidiary Hera Trading srl, the Group must manage the risks related to the misalignment between the indexing formulas of gas and electricity purchase prices and the indexing formulas of their sale prices.

In order to reduce exposure to price risk, the Group adopts a margin stabilisation strategy based on concurrent contracts regarding the supply and sale to final consumers of gas and electricity or on anticipated purchase contracts where attributable to price formulas ensuring alignment between the value of the commodity purchased and the market value. Furthermore, the Group adopts a prudential strategy by using hedging instruments to minimise exposure to commodity price risks and to ensure compliance with the risk limits assigned and measured using appropriate best industry practices.

Financial risks

In performing its business, the Group constantly manages and monitors financial risks concerning liquidity risk and related default risk and debt covenants, rate risk, exchange risk and credit rating risk.

For greater details on the strategy adopted by the Group for managing and controlling financial risks, reference may be made to paragraph "1.06.03 Financial and rating policy"

Strategic risks

These risks pertain to the formulation of long-term planning, to the implications regarding the Group's financial sustainability, to the decisions to take part in activities of strategic importance and to appropriate investment decisions.

Strategic risks involve the Group in its entirety. They affect the soundness of the strategic planning results envisaged for the various sectors and business units. Achievement of these results is conditioned by various internal and external risks that are appropriately simulated, measured and checked using scenario analysis, stress testing, what if and stochastic simulations of plan scenarios (macroeconomic scenario, competitive context).

Managing sustainability

In May 2005, the Board of Directors of Hera S.p.A. set up a Corporate Social Responsibility organisation unit, reporting to the Managing Director. The CSR

Organisational Unit, which has been a Department since 2010, ensures that **Social Responsibility and Sustainability are an integral part of corporate planning and management**. The CSR Department is in charge of defining and proposing corporate guidelines concerning corporate social responsibility, reporting on sustainability, overseeing the balanced scorecard system integrated with sustainability strategies, proposing and managing the execution of social responsibility projects, coordinating and enhancing stakeholder engagement projects and initiatives in the local area. The CSR Department ensures the periodic updating of the Group's Code of Ethics.

AcegasApsAmga also has a CSR unit that reports to the General Manager. Its task is it **coordinate, extend and integrate** the policies and the social responsibility and sustainability actions of the parent company Hera S.p.A. to all new local areas that have become part of the Group following the corporate mergers of AcegasAps and Amga. The main CSR strengthening actions in AcegasApsAmga during 2014 regarded: adoption, dissemination and distribution of the Group's new code of ethics to the entire workforce; extension of the balanced scorecard system to the entire company scope; extension of the climate survey to the employees of Udine and Gorizia (new local areas) and implementation of the improvement actions following the 2013 survey carried out in AcegasAps; almost complete consolidation of AcegasApsAmga's data in the Group's Sustainability Report and in the "Tracking waste" and "In good water" thematic reports; establishment of Improvement Groups; launching of HeraSolidale solidarity project. In 2015, the "Regala un albero alla tua città" (Give a tree to your city) campaign is expected to be extended to AcegasApsAmga regarding the promotion of online bills in replacement of paper bills, and top-down training is expected to be provided to all employees on the Group's new Code of Ethics.

Hera invests in research on social responsibility

At the end of 2010, the Economic Sciences Department at the Bologna University awarded a research fellowship, financed by Hera, as part of the "Corporate social responsibility and market competition" project. The empirical study analysed the economic performance of 122 Italian companies and 808 European companies for a period of 8 years. The research study developed theoretical economic models for analysis purposes and then verified them empirically. Regression analysis identified a significantly positive relationship between the commitment to Corporate Social Responsibility and economic indicators such as EBITDA, EBIT, EBITDA per employee and EBIT per employee. Furthermore, comparison between the economic performance of committed companies and of other companies showed that investing in sustainability is worthwhile both in terms of greater profitability and growth rates.

The Code of Ethics

The Code of Ethics **lays down the commitments and ethical responsibilities** to be met by the managers, the workforce and collaborators of **all Group companies** for the achievement of corporate objectives. Hera's Code of Ethics aims to provide guidance for Group management according to the principles of **responsibility, a fair and correct approach to professional activities, quality and economic efficiency** with respect to relations inside and outside the Group, so that conduct may be unequivocally conducive to meeting the needs of stakeholders and to consolidating a positive corporate reputation.

The supply contracts drawn up by group companies include termination clauses linked to the failure of suppliers to comply with the principles of the Code of Ethics. Starting from 2006, **supplier qualification is subject to acceptance of the Code of Ethics**.

During January 2014, the Board of Directors of Hera S.p.A. **approved the Code of Ethics** that had been updated during the second half of 2013. The document was updated by involving the workforce, thanks to the opportunity to send proposals for revision, a specifically-dedicated pilot seminar with 23 coordinators and managers, the involvement of SA8000 workers' representatives, of health and safety representatives and of Trade Unions (delegation) and a workgroup formed mainly, but not only, by the Directors of the various corporate areas and of Hera subsidiaries (30 people). The main revisions regarded the part relating to "Values" and the introduction of three new articles, "Information Confidentiality", "Protection of corporate image", and "Diverse sensitivities". Furthermore, several clarifications were made which are spread throughout all the sections.

The Code of Ethics was subsequently disseminated to all Group workers and was the subject of awareness-raising workshops for managerial and executive positions.

During 2014, **all the Group's subsidiaries**, with the exception of Marche Multiservizi that has its own Code of Ethics, **adopted the Code of Ethics** approved by the Board of Directors of Hera S.p.A.

The SA8000 Quality, Safety, Environmental and Social Responsibility system

In the course of 2014, the Hera Group confirmed the validity of its integrated management system by maintaining and consolidating the certifications obtained. This was a challenging objective in a context of constant corporate changes.

In the past year, the number of certificates managed directly by the Quality, Safety and Environmental Department of Hera S.p.A. or obtained thanks to the valid support is has provided to the Group's Companies, increased significantly.

An important goal that was achieved in 2014 was the **obtainment of the ISO 50001 energy certification of Hera S.p.A.** Implementing an efficient energy management system was an important addition to its environmental sustainability objectives, whose strength is that of involving all of the main organisational corporate units and of cooperating beneficially with energy management. A crucial element for the success of the challenging development of the energy system, which was launched in 2008, is Top Management's strong commitment and the constant and accurate work carried out transversally by the operational group specifically set up for this project.

Among the leading results attained during 2014:

- **maintaining** of the integrated quality, safety and environmental management system **certifications** of Hera S.p.A. and of many other Group companies, including Herambiente, Hera Comm and Uniflotte, confirming that the logics and dynamics of the management system are now part of company life.
- **UNI CEI 11352 certification** that attests that Hera Comm meets the requirements as (ESCo) company and provides its customers with services aimed at improving energy efficiency. This certification integrates well with the Group's actions to reduce environmental impact and increase energy efficiency. Reducing energy consumptions and managing use of energy efficiently are fundamental actions that contribute to improving the sustainability of human activities. In order to achieve these purposes, EU and national regulations attribute a prominent role to **Energy Services Companies (ESCo)**, since the activities they carry out allow organisations using them to improve their energy efficiency;
- **maintaining of SA8000 certification**, attestation of ethical and social conformity of the processes managed and provided by Hera S.p.A. and Hera Luce S.r.l.

AcegasApsAmga also continued the enhancement, extension and implementation of its management system in 2014. It was particularly involved in the integration of certifications and its management system alongside the changes in its corporate

scope which included the merger in AcegasApsAmga of two companies and public lighting activities during the first half of the year and the entry of Amga Udine and of the Gorizia-based gas and electricity distribution companies during the second half.

With respect to the enlarged scope, only Amga Udine was certified for its quality, safety and environmental system whereas the certifications (especially environmental certification) were extended to the other companies in 2014.

In 2014, AcegasApsAmga implemented and developed the OHSAS 18001 workplace health and safety project. The widespread and in-depth activity focused on all systems and processes, regulatory compliance and conduct. The certification body - DNV GL - evaluated positively the management system and issued the certification in accordance with the OHSAS 18001 standard. The strengths recognised by DNV GL for attainment of the certification were the strong and ongoing dedication by all of the Departments and the great commitment transmitted by Management which never failed to provide the energy and encouragement needed to achieve the goal.

Hera's commitment to quality, safety, environment and social responsibility

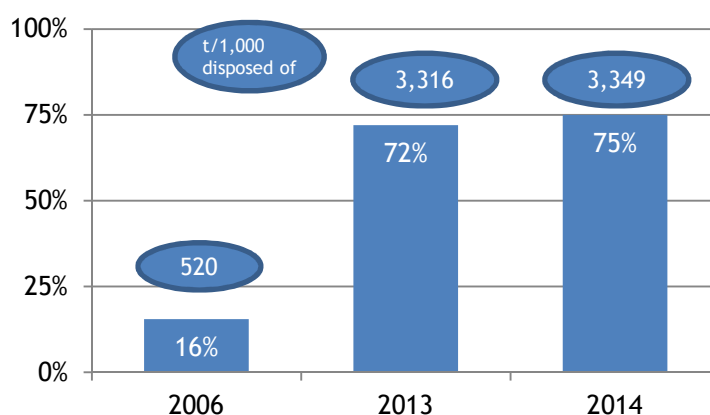
Quality management systems establish the requirements necessary to improve corporate processes within an organisation in order to increase the satisfaction of final customers, who receive the end benefits of Hera's services. The diffusion of certified management systems within the Group's companies is high, as shown in the following table.

Certification	No. of companies	% of employees
ISO 9001	16	98%
ISO 14001	15	90%
OHSAS 18001	13	90%
SA8000	3	58%
ISO 50001	4	59%

98% of the total waste disposed of in Group plants was disposed of in ISO 14001 certified disposal plants.

Considering AcegasApsAmga, in 2014, waste disposed of in plants with EMAS registration amounted to 75% of the total waste treated in the Group's 43 facilities.

Waste disposed in plants with EMAS registration (percentage of the total waste disposed of in Group plants and the total waste disposed of in thousands of metric tonnes)



The EMAS project of Herambiente was conceived in 2005 and in that same year received the European EMAS Award Italy as it was considered to be one of the most interesting in Europe. The project focused on the gradual implementation of EMAS registrations for the waste treatment sites managed by the company.

In 2013, the need was felt to rationalise the EMAS project by excluding plants from the registration process which were no longer active or minor plants (such as decommissioned landfills or transfer stations), where it was difficult to pursue the continuous improvement of environmental performance. The commitment to maintain EMAS registration for all of the organisation's active and strategic plants and to implement it in the case of new plants remained instead unchanged.

Holding EMAS registration and the related environmental declaration represents a commitment for Herambiente to continual improvement of its plants' environmental performance and an important awareness raising tool to maintain constant attention towards environmental issues.

During the two-year period 2013-2014, Herambiente started the preliminary activities for extending EMAS registration to the new Disidrat sludge treatment plant and to the new anaerobic digesters in Ca' Baldacci (RN) and in Voltana di Lugo (RA). The preliminary activities had reached a positive conclusion as at 31 December 2014 only for the latter plant.

Dialogue with our stakeholders

Hera's stakeholders

For an industrial group with the characteristics of Hera, it is essential to take into account the needs and demands of all stakeholders which often may be conflicting.

A management approach that encourages corporate social responsibility and sustainability entails taking into account all legitimate demands of the various categories of stakeholders, balancing these demands and integrating them into the company strategies.

Starting from a survey of corporate stakeholders, a map of corporate stakeholders was defined. Various stakeholder classes were identified and, for each, the following was determined:

- composition and presence of targets of particular interest;
- issues of particular significance to them;
- listening, dialogue and consultation activities carried out during the year.

Dialogue and consultation initiatives

Hera's significant commitment to involving stakeholders is by now part of the operational structure of the departments that deal with the relations with various stakeholders.

The establishment of HeraLAB in Rimini, Ferrara and Bologna and the strengthening of those set up during 2013, the internal climate survey and related improvement actions, and the customer satisfaction surveys are today consolidated actions which are integrated into the company's management; they are the "normal" analysis methods used to identify areas for improvement.

The social responsibility management system, which was developed in 2012 in compliance with standard SA8000, provides structured methods for setting up dialogue and involving workers.

Activities aimed at increasing awareness of the Code of Ethics continued in 2014 through the organisation of workshops on "Corporate Social Responsibility Policies and the Code of Ethics in day-to-day management".

In the sections of this Report, the approach used and the results of the main dialogue and consultation initiatives carried out in 2014 are set forth by stakeholder category.

Stakeholders	Main categories	Key issues	Key listening, dialogue and consultation initiatives
Workforce	<ul style="list-style-type: none"> - Employees - Non-employee workforce - Trade unions 	<p>Stability, internal climate, training, career advancement, bonuses, remuneration, life/work balance, equal opportunities, safety, internal communication</p>	<ul style="list-style-type: none"> - Biennial internal climate survey: following the survey carried out in 2013, 14 improvement actions were defined, 13 of which conducted in 2014 and 1 to be completed in 2015. The sixth survey will be held in 2015 - Biennial internal climate survey of AcegasApsAmga: following the survey carried out in 2013, 10 improvement actions were defined, which were fully completed in 2014. Climate survey for the employees of the new Udine and Gorizia areas - Meetings of the Chairman and Managing Director in Hera Group's local areas (including AcegasApsAmga) to illustrate the business plan to all employees: 20 meetings held between March and July, with all the workforce - "Passaparola" project: downward communication meetings (140) were set up in AcegasApsAmga involving around 87% of employees - Meeting to present the 2013 Sustainability Report: around 300 Group workers involved - LaborHERA (technical study for organisational and work quality innovation) provided for in the Group's supplementary labour agreement: 3 meetings - Updating of Code of Ethics: 2 workshops - "Corporate Social Responsibility Policies and the Code of Ethics in day-to-day management" - and first internal convention. 22 members of managerial and executive staff involved. - Adoption by AcegasApsAmga of the new Code of Ethics and dissemination and distribution to all employees - SA8000: a direct communication channel between the Department manager and the workers' representatives was again in place in 2014. Approximately 200 workers were involved in interviews.
Customers	<ul style="list-style-type: none"> - Residential customers - Citizens residing in the areas served - Business customers - Consumer groups and trade associations 	<p>Service quality, tariffs, transparency, safety, service reliability, communication and information</p>	<ul style="list-style-type: none"> - Residential and business customer satisfaction survey: 7,000 interviews to Group customers. - Joint mediation procedures of Hera and AcegasApsAmga: 76 requests for mediation were submitted to Hera and 7 to AcegasApsAmga in 2014 - 881 cases managed through the direct contact channel with consumers' associations. - In 2014, 17 meetings were held with the associations involved, in the seven areas in which Hera operates. In the local areas of AcegasApsAmga, the fruitful collaboration with consumer associations continued in 2014, both during the consultation phase and at the end of the dialogue process
Shareholders	<ul style="list-style-type: none"> - Public shareholders - Institutional investors - Private investors - Financial community - Ethical funds 	<p>Dividends, share performance, investor relations, corporate governance aligned with best practices</p>	<ul style="list-style-type: none"> - Investor Relations activities: meetings with 416 investors, over 30 of which ethical investors - The yearly publication of the calendar of corporate events - Real-time publication in Italian and in English of communications such as approval and publication of financial statements, quarterly and interim reports, business plans and significant operations, on the Group's website, in the Investor Relations section - A weekly chat which allows the company to interact in real time with users - High participation of shareholders in the meeting held on 23 April 2014: shareholders representing 68% of the share capital participated

Stakeholders	Main categories	Key issues	Key listening, dialogue and consultation initiatives
Financial institutions	<ul style="list-style-type: none"> - Banks - Bond market 	Continuity of relations, long-term solidity of equity	<ul style="list-style-type: none"> - International road show for the Green Bond issued in June 2014
Suppliers	<ul style="list-style-type: none"> - Suppliers of goods, services and work - Qualified suppliers - Local suppliers 	Continuity of relations, qualification, bargaining conditions, payment conditions	<ul style="list-style-type: none"> - Convention with Hera Group's main suppliers - Meetings with representatives of social cooperatives working in Emilia-Romagna continued - Help desk to assist suppliers on the e-procurement platform: over 18 thousand requests were received, and 99% were resolved in the expected times.
Public Administration	<ul style="list-style-type: none"> - Local authorities of reference: - Municipalities, provinces, regions, their associations and local bodies - Regulatory and control bodies - Universities and research institutes - State agencies 	Transparent communication, concern over local issues, compliance with the law, correct management practices, innovation, partnerships	<ul style="list-style-type: none"> - Local Bodies Relationship Department established to which the seven Area Managers report. Their role is to monitor relationships with leading local stakeholders, especially with Mayors - The Area Managers organised 843 meetings with Mayors and received 1,482 requests from the Municipalities of the local areas served
Local community	<ul style="list-style-type: none"> - Local associations - Trade associations - Media - Residents in the vicinity of production plants - Citizens' committees 	Strengthening of dialogue with the local community, support for initiatives, local investment, transparent communication, socially responsible corporate management	<ul style="list-style-type: none"> - 3 further HeraLABs (Local Multistakeholder Boards) were established in the areas of Rimini, Ferrara and Bologna in addition to those already existing in Imola-Faenza and Ravenna. - 57 representatives from the various stakeholder categories took part in the 5 active LABs, with 17 meetings held in 2014. - Convention in Bologna on 26 May 2014 to present the 2013 Sustainability Report: around 300 participants - AcegasApsAmga continued to join the Consumatori e imprese FVG forum which aims to improve dialogue between the production, trade and consumption sector and regulatory bodies, and to promote initiatives focusing on the development and diffusion of responsible and sustainable consumption. - In 2014, 107 guided tours of the waste to energy plants were provided, with over 2,186 visitors, 1,715 of which were students
Environment and future generations	<ul style="list-style-type: none"> - Environmental associations - Trade associations - Technicians and experts from other companies - Technicians and persons competent in environmental issues elected by the inspectorates 	Production of energy from renewable sources, energy and water saving, district heating, water withdrawal, greenhouse gas emissions, atmospheric emissions, separate waste collection, waste management and disposal	<ul style="list-style-type: none"> - A wide range of initiatives in the areas served by Hera and AcegasApsAmga to promote energy and water savings, the use of water from the network and separate waste collection

The economic value for our stakeholders

This section includes the key data on economic responsibilities of the company. In 2014, value added distributed to stakeholders amounted to

Euro 1,387.2 million (+2.4% compared to 2013). Around Euro 1 billion was distributed to stakeholders in local areas.

Allocation of value added

Value added, in this Sustainability Report, is understood as the difference between revenues and production costs not constituting corporate stakeholder remuneration. Value added is, from this angle, distinct from the value added strictly applying to accounting practices. Here, the methodology applied is that proposed in 2001 by the Gruppo di studio per il Bilancio Sociale (GBS). With respect to the GBS methodology, rentals for use of assets owned by shareholder municipalities and sponsorship costs are considered, as they are deemed significant for stakeholders. In addition, in contrast to the proposal of the GBS, the portion of value allocated to financial institutions was calculated considering the balance of financial income and charges, as deemed a better quantification of the relationships with this type of stakeholder, as opposed to the sole figure of financial charges. With this framework, the gross overall value added distributed is almost equal to the gross value added produced by normal operations.

There are two important reasons for using the indicator of value added. Firstly it enables quantification of the wealth generated by the company, and accounts for how this wealth was generated and how it is allocated to stakeholders; it is therefore useful for comprehending the economic impacts the company produces. Secondly, through this report it connects the Sustainability Report with the Financial Statements. In this sense, production and allocation of value added provides an instrument by means of which we can reconsider the corporate Financial Statements from the vantage point of stakeholders.

The tables relating to the added value for 2013 have been adjusted by applying the IFRS 11 accounting standard for the purpose of making it comparable with that for 2014. This standard, which came into force on 1 January 2014, envisages consolidation using the equity method of the investments in joint ventures which up until 31 December 2013 had been consolidated proportionally. The equity investments concerned were Estenergy S.p.A., Est reti elettriche S.p.A., Estpiù Spa, Isontina reti gas S.p.A., Esil S.c.a.r.l. (former Aristeia) and Enomondo S.r.l. Please see the explanatory notes to the Annual Financial Statement for additional information.

Production of value added

in millions of Euro	2012	2013	2014
Revenues	4,492.7	4,457.0	4,189.1
Other operating and non-operating revenues	210.2	315.8	324.5
Grants received from public institutions	-9.4	-10.7	-10.7
Use of raw and other materials (net of changes to raw materials inventories and stocks)	-2,726.0	-2,367.8	-1,965.5
Service costs	-823.1	-939.6	-1,053.6
Bad debt provisions	-49.1	-61.2	-65.5
Accruals to provisions for contingencies and other provisions	-37.8	-38.5	-29.5
Other operating costs	-20.7	-30.0	-26.6
Capitalised costs	33.4	18.2	17.3
Gross value added	1,070.2	1,343.3	1,379.5
Portion of profit (loss) pertaining to associated companies	5.4	11.5	7.7
Gross overall value added	1,075.6	1,354.8	1,387.2

Gross overall value added generated for stakeholders in 2014 came to Euro 1,387.2 million, an increase of Euro 32.4 million on the previous year (+2.4%).

Distribution of value added to stakeholders

in millions of Euro	2012		2013		2014	
Workforce	382.1	35.5%	478.6	35.3%	496.9	35.8%
Shareholders	135.1	12.6%	144.7	10.7%	145.4	10.5%
Company	239.0	22.2%	347.9	25.7%	368.5	26.6%
Financial institutions/Banks	134.1	12.5%	156.5	11.6%	153.9	11.1%
Public Administration	183.3	17.0%	223.8	16.5%	219.8	15.8%
Local community	2.0	0.2%	3.3	0.2%	2.7	0.2%
Gross overall value added	1,075.6	100.0%	1,354.8	100.0%	1,387.2	100.0%

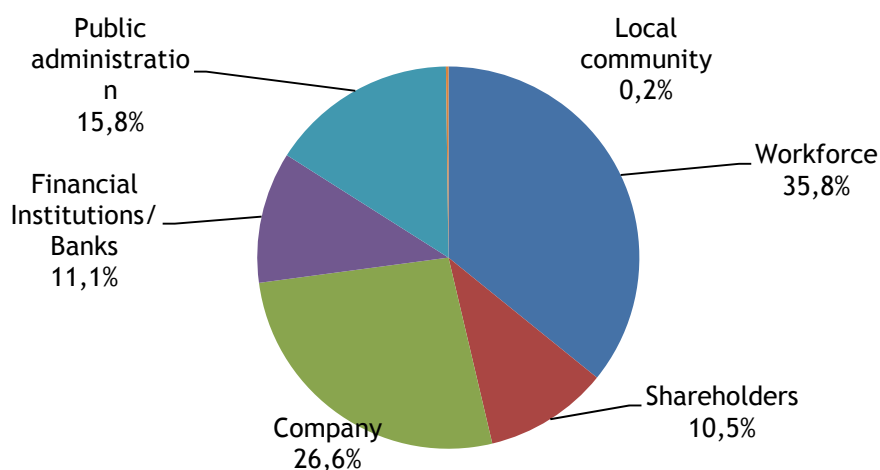
The portion of value added intended for the **workforce** increased Euro 18.3 million (+4%) compared to 2013, mainly due to the remuneration increases envisaged by the National collective labour agreement and the inclusion of Amga in the Group, which weighed in for Euro 5.3 million.

The portion allocated to the **shareholders** of Hera S.p.A. and the minority shareholders of the subsidiaries rose by Euro 0.7 million (+0.5%) and equates to 10.5% of the total. Of this portion, Euro 127.8 million was allocated as dividends distributed to Hera S.p.A. shareholders, and Euro 17.6 million was allocated as the portion of earnings pertaining to the minority shareholders of the subsidiaries of Hera S.p.A.

A portion totalling 26.6% of the value added generated in 2014 was **re-invested in the company**. This portion increased with respect to 2013 (+5.9%) and includes the net profit for the year not allocated to shareholders (Euro 37.0 million) and amortisation/depreciation of investments made (Euro 331.5 million). The latter disclosed an increase of Euro 20.6 million due to new investments and changes in the scope for Euro 11 million.

The portion of value added allocated to **financial institutions** in 2014 came to Euro 153.9 million (11.1% of the total, -1.7% compared to 2013). This share comprises Euro 298.8 million in financial charges, and Euro 144.9 million in financial income.

Distribution of value added to stakeholders (2014)



The portion distributed to Public Administration amounted to Euro 219.8 million, 15.8% of the total (-1.8% compared to 2013).

Duties and taxes amounted to Euro 136.5 million (9.8% of the total value added distributed) and decreased 4% with respect to 2012.

Of the taxes and duties, Euro 78.9 million was allocated to the State (Euro 85.9 million in 2013 and Euro 51.6 million in 2012), Euro 48.0 million to the Regional

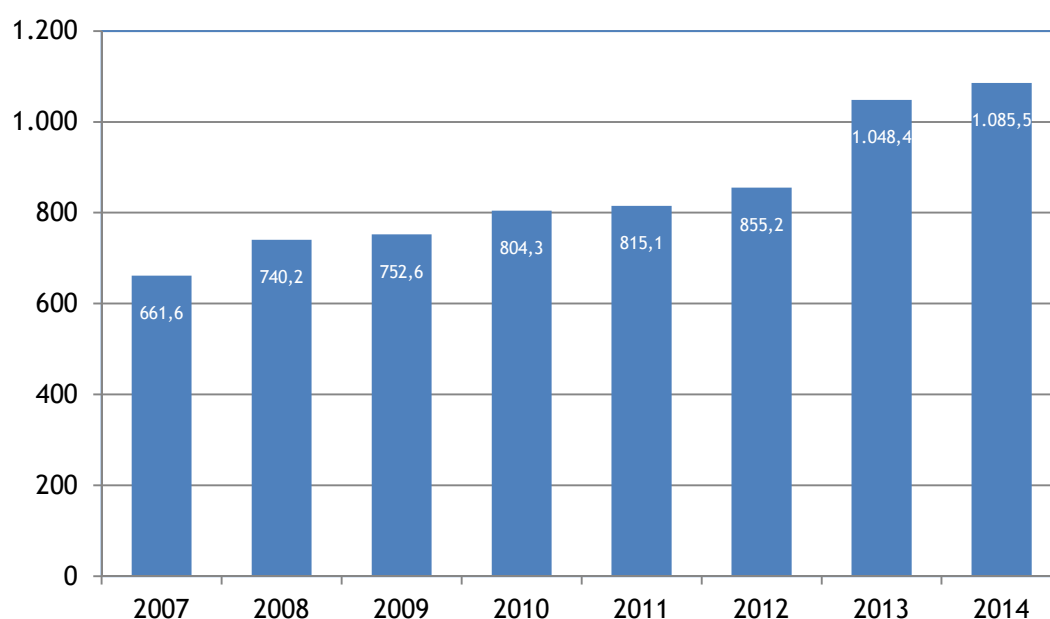
authorities and Euro 9.6 million to the Provincial and Municipal authorities. Business taxation rose slightly from Euro 118.2 million in 2013 to Euro 112.6 million in 2014.

The plants and installations used by the company are in part owned by shareholding municipalities, and rental payments are made for their use. Environmental compensations are also paid to the municipalities regarding the waste treatment plants. In 2014, total payments for use of the assets of shareholder municipalities and environmental compensations came to Euro 94.0 million, up Euro 0.9 million with respect to the previous year.

Grants received amounted to Euro 10.7 million, Euro 4.7 million of which allocated as operating grants and Euro 6.0 million as plant grants. This amount was subtracted from the portion allocated to the Public Administration.

Lastly, Euro 2.7 million was allocated to donations (Euro 0.1 million) and sponsorships (Euro 2.6 million); details on these items can be found in the “Environment and future generations” section.

Value added distributed to stakeholder in the area where the Group operate (in millions of €)



In 2014, value added distributed to stakeholders in the local areas amounted to Euro 1,085.5 million (+3.5% compared to 2013).

It comprises:

- employee salaries (46% of the total);
- dividends to local Hera S.p.A. shareholders (7%);
- duties, taxes and fees to local authorities (14%);
- charitable donations and sponsorships (0.2%);
- resources re-invested in the company (34%).

If the economic value of the supplies from suppliers in the area is also considered (which represents 66.2% of total Group supplies at consolidated level and which can be evaluated in 506.2 million), the total wealth distributed to local areas in 2014 can therefore be estimated as Euro 1,591.7 million.

The minority shareholders of the subsidiaries have not been taken into consideration in the calculation of the value added distributed to the local areas; with regard to the distribution of the dividends of Hera S.p.A., here reference is made to the share composition as of the 2013 dividend payment date.

Investments

During 2014, Group investments amounted in total to Euro 326.5 million, with the benefit of Euro 22.1 million in capital grants of which 10.5 million for Fondo Nuovi Investimenti (FoNI), component envisaged by the tariff method for the integrated water service. Gross of the capital grants, total Group investments amounted to Euro 348.6 million.

With respect to the previous year, net investments rose +24.6 million euro, from Euro 301.9 million to Euro 326.5 million.

The investments gross of capital grants, broken down by sector of activities are listed in the previous table; capital grants are indicated.

Investments

in millions of Euro	2013	2014
Gas area	60.0	79.8
Electricity area	26.7	27.5
Integrated Water Cycle Area	105.8	114.8
Waste Management Area	51.2	47.9
Other services Area	13.7	14.8
Central Structure	55.2	61.4
Total operating investments	312.6	346.1
Financial investments	4.4	2.4
Total gross investments	317.0	348.6
Capital grants	15.1	22.1
<i>of which for FoNI (Fondo Nuovi Investimenti)</i>	<i>11.6</i>	<i>10.5</i>
Total net investments	301.9	326.5

In 2014, the gross investments of the **Gas Area** amounted to Euro 79.8 million and disclosed an increase of Euro 19.8 million when compared with 2013. Net of capital grants (Euro 0.6 million), investments in the Area came to Euro 79.1 million. In the distribution of gas, the increase of Euro 16.6 million with respect to 2013 includes Euro 4.7 million from legislative adaptation activities as per Resolution 155/08 for the mass replacement of meters and, with regard to the remaining balance, from additional measures on networks and plants including the activities for the replacement of grey cast iron pipes in the Trieste area, additional investments of the Bulgarian subsidiary RilaGas (Euro 3.4 million), the effects of the extension of the scope in the area of the AcegasApsAmga Group for Amga (Euro 2.5 million), Isontina Rete Gas (Euro 1.9 million) and BSTC (Euro 1.0 million).

Once again in 2014, the effect of the overall economic situation continued, leading - with respect to 2013 - to a further slowdown in the request for new connections only offset by the extension of the scope of AcegasApsAmga.

The investments rose by Euro 3.2 million also in the **district heating** and heat management area, up due to the acquisition of the ACER network relating to the Barca-Pilastro plants in Bologna. The crisis relating to requests for new connections also continued here, linked to the construction situation.

Gross investments in the **Electricity Area** amounted to Euro 27.5 million, resulting in a Euro 0.8 million increase when compared with the Euro 26.7 million last year. Net of capital grants (Euro 0.1 million), investments in the Area came to Euro 27.4 million.

The measures carried out mainly concerned the extraordinary maintenance of plants and distribution networks in the areas of Modena, Imola, Trieste and Gorizia for Euro 10.5 million, plus the connections for Euro 2.2 million, the latter essentially in line with the previous year.

The maintenance measures increased essentially on Cogen in Imola (Euro 1.3 million) while new measures included those for the HV-MV station in Imola (Euro 1.1 million). Overall, investments on networks and plants increased Euro 2.6 million while, in the industrial co-generation sphere for Energy Service activities, the measures reported a drop of Euro 1.8 million with respect to 2013.

Gross investments in the **Integrated Water Cycle Area** amounted to Euro 114.8 million, resulting in a Euro 9 million increase when compared to last year. Net of capital grants (of which 10,5 for the Fondo Nuovi Investimenti expected in the new water bill from AEEGSI), investments in the Area came to Euro 93.6 million. The measures mainly refer to extensions, enhancements and upgrades of networks and facilities, and to regulatory compliance mostly in the treatment and sewage sphere.

Investments were made for Euro 59.8 million in the aqueduct area, Euro 30.8 million in the sewers area and Euro 24.1 million in the treatment area.

The main measures included: in the aqueduct area, work for renewing the networks and scheduled maintenance; in the sewers area, activities for the adaptation of the sewers as envisaged by Italian Legislative Decree No. 152/2006 and a portion of the works envisaged by the Rimini Seawater Protection Plan (Euro 2.8 million); in the treatment area, the reconstruction of the Cesenatico (FC) treatment plant (Euro 4.2 million), the adaptation and extension of the Ponte Rizzoli treatment plant at Ozzano (BO) (Euro 2.3 million) and the adaptation of the digestion system at the Bologna plant (Euro 1.2 million). Requests for new water and sewer connections rose in the AcegasApsAmga area, while they were essentially in line with the previous year in the other areas.

Capital grants include Euro 10.5 million relating to the tariff component envisaged by the tariff method for the Fondo Nuovi Investimenti (FoNI), while other grants were up with respect to 2013 due to the receipts relating to works which were started in previous years.

Gross investments in the **Waste Management Area** concerned maintenance and enhancement measures on plants and amounted to Euro 47.9 million, resulting in a Euro 3.3 million increase when compared to 2013. Net of capital grants (Euro 0.1 million), investments in the Area came to Euro 47.8 million.

With respect to 2013, there was a drop (Euro -3.4 million) in the composting/digesters chain due to the completion in 2013 of the dry-fermentation technology plants in Rimini and Lugo (RA). Only maintenance measures took place on the plants in 2014, with the exclusion of the reconstruction of the road system at the Voltana (RA) site and the Rimini photovoltaic plant.

The increase in the landfill area (Euro +1.1 million) is essentially due to the launch of the creation of the eighth sector of the Ravenna landfill. This is joined by the increase due to the measures carried out by Marche Multiservizi for Euro 4.8 million, relating to the extension of the Cà Asprete of Tavullia (PU) landfill with associated sifting plant, and minor measures on the Cà Lucio of Urbino landfill.

The reduction in the investments in the WTE area (Euro -2.3 million) was mainly due to the completion of the civil and infrastructural works in 2013 on Ferrara and which serve the new Akron selection plant, in addition to minor investments on the Pozzilli and Fea waste-to-energy plants, only partly offset by the extraordinary maintenance measures.

In the special waste plants area, the minor investments with respect to 2013 (Euro -1.9 million) are due to the completion of the Ravenna sludge dehydration plant and the conclusion of the revamping of the chemical-physical treatment (TCF) plant, started up in 2013 and only partly offset by the maintenance measures and the installation of the filter press on the industrial sludge treatment plant (ITFI) in Bologna.

With regard to collection equipment, major investments concerned the underground mini drop-off points project in Bologna, launched in 2013 and

undergoing complete construction (value Euro 1.6 million), innovative projects on the collection systems (WFM Ambiente) and measures in the AcegasApsAmga areas. The drop of Euro 2.8 million derives from the completion in 2013 of the measures on the selection plants (revamping of the Modena plant and construction of the Bologna plant). During the current year, a transshipment plant was constructed in Cervia, with associated fixed treatment plant.

Investments in the **Other Services Area** came to Euro 14.8 million, up Euro 1.1 million with respect to 2013; there were no capital grants.

In the telecommunications area, Euro 9.2 million in investments were made on the network and with regard to TLC and IDC (Internet Data Center) services. With regard to the public lighting service, the investments for Euro 5.6 million related to maintenance, upgrading and modernisation measures for the lighting plants.

Environmental costs and investments

The measurement of the costs and the environmental investments makes it possible to quantify in economic terms the interventions carried out in order to improve the environmental sustainability of the Group and the territory in which it operates, thereby showing how much of the activity translates into environmental improvement.

Any cost or investment connected to interventions which resulted in a significant positive environmental impact was defined as an environmental expense. Taking account of the activities managed by Hera, several characteristic activities carried out by the company such as separate waste collection, the operation of composting plants or the expansion of treatment plants were also taken into consideration.

Recognition of these costs was carried out for the following companies: Hera S.p.A., Herambiente and its subsidiaries, Hera Comm, Hera Energie Rinnovabili, Uniflotte and AcegasApsAmga, the latter exclusively for environmental investments.

With respect to the energy services, environmental costs pertain to the emergency response services for gas network safety, ordinary maintenance of the gas network, the operation of plants for the generation of energy from renewable sources, the operation of the networks and district heating plants.

For the water service, environmental costs are connected to the emergency response service, the ordinary maintenance of the aqueduct and sewage systems and to the disposal of waste water treatment and purification sludge.

For the waste management services, the activities considered were the management of separate waste connection, the operation of waste selection, separation and composting plants and the disposal of the waste produced by disposal plants. Furthermore, the fees paid to Municipalities for the environmental compensations relating to the waste disposal plants were counted.

Lastly, the costs involved in energy saving activities, the environmental management system and for the purchase of methane fuel for the motor vehicles were considered.

Environmental costs and investments

in millions of Euro	2013	2014*	2014
Environmental costs	293.6	323.1	401.9
Environmental investments	137.5	131.0	171.4

The figures refer to Hera S.p.A., Herambiente and its subsidiaries, Hera Comm, Hera Energie Rinnovabili, Uniflotte and AcegasApsAmga.

* Excluding AcegasApsAmga

In total, the operating costs for measures aimed at improving environmental sustainability amounted in 2014 to **Euro 401.9 million**, 37% more than in 2013, corresponding to Euro 108 million. The increases are mainly attributable to the extension of the scope of the analysis relating to 2014 to the AcegasApsAmga companies (+78 million with respect to 2013, corresponding to around 20% of total Group costs). Net of these changes in scope, environmental costs amounted to Euro 323.1 million, 10% more than in 2013, corresponding to Euro 29 million. The most significant increases concerned the purchase of **energy certificates**, in particular white and grey certificates (almost triple with respect to 2013) offset by the drop in **waste management services** costs (-4% corresponding to around Euro 8 million when compared with 2013) specifically linked to the decrease in costs associated with the composting plants and offset by the rise in costs linked to the post-closure management of the landfills and separate waste collection.

In the AcegasApsAmga sphere, the Euro 78 million in costs was made up as follows: around 15% concerned energy services and in particular measures on the gas distribution networks, 15% related to water services and the remaining 70% concerned the waste management services sphere (67%) and the disposal of waste produced by the company (3%).

With regard to investments, in relation to energy services, the activities considered were those aimed at the extraordinary maintenance of the gas networks, the construction or upkeep of plants for the generation of electricity from renewable sources or similar sources and the management of district heating systems. The investments related to industrial cogeneration were also considered.

For the water service, the interventions aimed at reducing losses within the water systems, the extensions of the sewage network and treatment plants and the interventions for the improvement of the environmental performance of the plants themselves were counted.

For the waste management services, the activities connected to separate waste collection, e.g. investments in Equipped Drop-Off Points, the construction or upkeep of the waste selection, separation and composting plants, the reduction of atmospheric emissions from waste-to-energy plants, the generation of electricity in waste-to-energy plants were considered. Also considered were the investments for the disposal of waste produced by the company (e.g. landfill leachate collection facilities in landfills) and separate waste collection containers.

With regard to the central structure, investments for the purchase of vehicles with a lower environmental impact (methane, LPG, etc.) and of skips and igloo bins for separate waste collection were considered.

Total waste management investments amounted to Euro 171.4 million, up by around 25% with respect to 2013 and corresponding to around Euro 40 million more than in 2014. The increases are mainly attributable to the extension of the scope of the analysis relating to 2014 to the AcegasApsAmga companies which overall contributed Euro 40 million more than in 2013, corresponding to around 27% of total Group investments. Net of this change in scope, investments fell by around Euro 6.5 million when compared to 2013. This change was made up as follows: slight drop in investments in the integrated **water service** (-4% with respect to 2013 corresponding to around Euro 3.5 million) essentially due to a reduction in the measures on aqueducts partly offset by an increase in investments in new treatment plants; decrease in the investments with regard to **waste management services** (-21% with respect to 2013 corresponding to around Euro 1.5 million) due to the end of the work regarding the anaerobic digestion and waste selection plants, partly offset by the increase in investments in the separate waste collection sector thanks in particular to the launch of construction of the underground mini drop-off points in Bologna; slight drop in the investments regarding energy services (-4% with respect to 2013 corresponding to around Euro 1.5 million) due to a reduction in the investments on the district heating and

industrial co-generation network partly offset by the increase in investments on gas plants and networks.

In the AcegasApsAmga sphere, the Euro 40 million in environmental investments were made up as follows: around 36% concerned improvement measures on the gas network, 42% for the water service, 20% regarding waste management services and in particular investments aimed at increasing separate waste collection (specifically equipped drop-off points) and environmental improvement measures on the existing waste-to-energy plants.

Environmental investments accounted for 52% of non-financial operating investments.

Customers

In 2014, Hera Group's services entered in the houses of over 4 million people and over 260,000 companies for which fast track channels were created.

In de-regulated services, Hera sold gas and electricity to over 2 million customers across many regions of Italy.

Hera has surveyed its customers' satisfaction each year since 2005. Surveys are carried out by telephone to define improvement objectives.

Objectives and performance

What we said we would do	What we have done
<ul style="list-style-type: none"> • Ensure average call centre waiting times in line with 2013. Improve quality with respect to 2013 by linking the telephone platform and the CRM system. 	<ul style="list-style-type: none"> • Call centre waiting times (excluding IVR) further improved compared to 2013: from 49 seconds to 40 seconds for Hera and from 55 seconds to 45 seconds for AcegasApsAmga. The telephone platform was connected to Hera Comm's CRM system thus reducing average conversation time.
<ul style="list-style-type: none"> • Ensure average branch waiting time of no more than 12.5 minutes for Hera S.p.A. and 19 minutes for AcegasAps. 	<ul style="list-style-type: none"> • In 2014, the average waiting time at branches was 11.1 minutes for Hera and 17.7 minutes for AcegasApsAmga.
<ul style="list-style-type: none"> • Ensure in 2014: <ul style="list-style-type: none"> • - response times to claims within 40 calendar days in 95% of cases; • - compliance with specific commercial quality standards for gas and electricity and with Water Service Charter standards in 98.5% of cases; • - response times within 120 seconds for 95% of calls to the gas service emergency number. 	<ul style="list-style-type: none"> • In 2014, Hera: <ul style="list-style-type: none"> • - responded to claims within 40 calendar days in 93,4% of cases; • - complied with quality standards in 99.6% of cases; • - responded to gas emergency calls within 120 seconds in 96.5% of cases (Hera S.p.A.) and in 95.3% of cases for AcegasApsAmga.
<ul style="list-style-type: none"> • Carry out interventions in the main stations and on the electricity grids in order to improve the continuity and reliability of the electricity distribution service. 	<ul style="list-style-type: none"> • Petersen coils were installed in the primary substation of Vignola and automatic devices were installed in 6 medium-voltage lines in the Modena area.
<ul style="list-style-type: none"> • "Give a tree to your city" campaign: continue to promote the online bill and increase subscriptions by 25% compared to 2013. Assess extension of the campaign in AcegasAps local areas. 	<ul style="list-style-type: none"> • In 2014, new subscriptions to the online bill increased by 45% compared to 2013. The campaign will be extended to AcegasApsAmga areas.
<ul style="list-style-type: none"> • Spread the new bill designed in 2013 with the involvement of customers. 	<ul style="list-style-type: none"> • The new bill was spread in Spring 2014.
<ul style="list-style-type: none"> • Strengthen relationships with consumer associations by continuing to organise meetings in local areas and promoting the dedicated web portal. 	<ul style="list-style-type: none"> • Dialogue activities with consumer associations continued in 2014 with 17 meetings. The web portal received over 6,000 visits.
<ul style="list-style-type: none"> • Publish a commercial self-regulation protocol on the transparency, correctness and quality of the sale of gas and electricity. 	<ul style="list-style-type: none"> • Hera Comm's Responsibility Charter was published in October 2014. The Charter also includes the self-regulation protocol.
<ul style="list-style-type: none"> • Extend the report "In good water" in the areas served by AcegasAps. 	<ul style="list-style-type: none"> • The "In good water" report was extended to the Padua and Trieste area and disseminated in October 2014.
<ul style="list-style-type: none"> • Create and disseminate a handbook on tariff concessions available for customers, both provided for by the regulatory 	<ul style="list-style-type: none"> • The SOSstegno Hera handbook was published in December 2014 and disseminated through the Hera branches

authorities and introduced voluntarily by Hera.	and at Municipalities.	
<ul style="list-style-type: none"> Promote, in relation to Atersir, a single instrument in the local area served aimed at safeguarding customers in the event of water leaks downstream of the meter. 	<ul style="list-style-type: none"> In July 2014, Hera introduced a single “leak fund” for the safeguard of customers belonging to all Emilia-Romagna areas. 5,401 customers used the fund in 2014. 	
<ul style="list-style-type: none"> Extend the customer satisfaction survey in AcegasAps local areas. 	<ul style="list-style-type: none"> The customer satisfaction survey was extended to the AcegasApsAmga areas. 	
We shall		Scope*
Test the quantity-based tariff in 2 municipalities and define the Hera model.	H	
Continue to promote the Hera Start-up and Giorno Hera offers.	H	
Extend to other Municipalities the protocol for preventing supply interruptions in the event of customers assisted by social services.	H	
Promote individual heat metering in condominiums.	H	
Comply with the commercial quality standards for gas and electricity and with the Service Charter in 98.5% of cases.	H	A
Renew the customer branch of Udine.		A
Extend the “In good water” report to Marche Multiservizi.		M
Safety and continuity of services:		
<ul style="list-style-type: none"> Response times to 95% of gas emergency calls within 120 seconds. 	H	A
<ul style="list-style-type: none"> Arrival time within 60 minutes for 95% of calls to the gas emergency service. 	H	A
<ul style="list-style-type: none"> Aqueduct network emergency calls: average arrival time at the call location: 60 minutes in very urgent cases. 	H	A
<ul style="list-style-type: none"> Development of a plan for detecting leaks on the aerial part of the gas network and on the meters. 	H	
Ensure the average call centre and branch waiting times recorded in 2014. Further improve the average branch waiting times of AAA.	H	A
Respond to claims and requests for invoice corrections within 40 calendar days in 95% of cases.	H	A
Start the “Give a tree to your city” campaign to promote the online bill in AcegasApsAmga and re-launch it in Emilia-Romagna.	H	A
Launch the multi-service water and electricity bill in Trieste.		A
Install charge points for electric vehicles in Trieste.		A

* H: Hera; A: AcegasApsAmga; M: Marche Multiservizi

Our customers

The increasing number of customers served is accompanied by close attention to the quality of contact channels and to correct commercial conduct.

Energy services customers

Thousand	2012	2013	2014
Gas customers	1,116.3	1,221.2	1,316.1
Electricity customers	541.1	724.9	795.2

Integrated water service customers

Thousand	2012	2013	2014
Total customers	1,188.6	1,441.8	1,444.5

Urban hygiene services

	2012	2013	2014
Municipalities served (no.)	187	196	189
Citizens served (thous.)	2,773	3,285	3,308

The Hera Group recorded an increase in the overall number of customers in 2014 also. This growth was influenced by a combined action of several factors. In the energy services sector, Hera Comm's commercial drive and the entry of Amga (a multi-utility company operating in the Province of Udine) in the Group, offset the reduction of customers caused by the activities of other competitors.

Gas customers increased by around 8%, due mainly to the entry of Amga Udine and Fucino Gas customers (+90 thousand customers approximately). Electricity customers increased by around 10%, especially thanks to the commercial actions on massive markets both in traditional areas and in areas of expansion, and to the acquisition of new Amga Udine customers (around +14 thousand customers).

In the water service, the economic and real estate market crisis persisted which continued to hold back customer growth, maintaining levels lower than before the crisis.

Regarding urban hygiene services, the apparent drop in the number of municipalities served was due to the merger of some of the municipalities belonging to the provinces of Bologna, Rimini and Pesaro-Urbino.

The commercial actions were mainly oriented towards customer acquisition and loyalty; they also aimed at checking the work carried out by the external sales agencies and at setting up a caring and communication system for new customers to prevent them from drawing back during the first months of supply.

The 2014 results were achieved thanks to the attention paid to final customer's demands both in terms of **appropriate and specific commercial offers** and of **quality of the service offered**.

In 2014, **sales channels** activities included the growth of traditional channels and the development of new sales methods.

Special mention should go to the opening of 3 physical stores called "**Hera Comm Points**" in areas of commercial expansion that were not provided with traditional branches. These stores are a sign of the Group's close relationship and attention to its customers who can rely on a place where they can subscribe to the energy services and receive assistance, in areas where the brand is less well known. The increase in acquisition through the web channel is also worth highlighting.

Important commercial partnership operations were also developed with leading national subjects that operate also outside the energy sector. This allowed us to

spread our offers to specific targets of customers to whom benefits were proposed not only regarding the supply of electricity and gas.

Focus will continue to be given on customer loyalty in 2015 by paying attention to the final customers' demands, through:

- a portfolio of offers directed towards specific targets and including additional services compared to the supply of electricity and gas;
- sales network development and training, also through innovative channels;
- caring actions aimed at reducing the loss of customers.

Commercial policies

Throughout 2014, the Group's **commercial strategy** considered all customer segments that were reached using different sales channels and that received specific commercial offers.

The massive market continued to be the segment with greatest commercial drive, whereas in customer segments with high energy consumption, strong attention continued to be paid to credit risk and to carefully evaluating the commercial opportunities.

The attention to customers also included the development of a customer caring and loyalty system aimed at helping the customer during the supply activation phase. In the period going from the signing of the contract to supply activation, customers receive information about the status of their request and are informed of the date on which the service will actually start.

The proximity to customers was still one of the main pillars at the basis of the Group's action, through use of a highly structured CRM platform: a widespread system of branches, target-based call centres and self caring web channels. The high service levels reached are a sign of the quality of the path undertaken.

The portfolio of offers for the massive markets was further developed and implemented along two main lines of action:

- the opportunity for small-sized customers to access the wholesale energy markets; the opportunity provided in 2013 with the "Prezzo Netto Natura" offer and extended in 2014 with the "Hera start up" multi-service offer;
- safety and stability of expenditure, assured in 2013 with the "Prezzo Fisso Hera Natura" offer and also in 2014 with the "Giorno Hera" offer.

Feel relieved: "Giorno Hera", the electricity and gas offer that measures your energy differently

In September 2014, Hera Comm enriched its sales proposal thanks to a new free market offer for gas and electricity: "Giorno Hera". The offer was built around the needs of consumers and households that are not able to bear high cost peaks during the year. With "Giorno Hera", users pay the energy they consume according to a fixed and constant daily amount. The rate is established based on the energy consumption of the previous year and on application of a fixed daily price that includes all supply items (excluding VAT and tax) and does not change. Actual consumption is measured on a yearly basis or through self-reading. If consumption is higher or lower than the amount estimated, no adjustments are applied because the amount (to be paid or received) is spread over the following 365 days.

Hera Start Up: close to young, growing companies

In order to enhance economic growth through the support to young companies, the Group created a specific tool to help young entrepreneurs during the start up phase of their businesses. The tool combines the know-how of the Group's

companies - Hera Comm, Amga Energia e Servizi, Acantho and Herambiente - and offers start-ups very attractive benefits and maximum convenience. This tool is called Hera Start Up. It is the first multi-service offer suitable for meeting all the growth needs of start-ups. The package includes: an offer for the supply of electricity and gas with wholesale prices and a small contribution towards consumption, which is free for the first year; an offer for voice and data communication services at advantageous conditions; a free waste management consulting service; and payment of bills within 60 days.

The offer is reserved for local start-ups provided that certain requisites are met: the business must be less than 18 months old, it must not be a joint-stock company and the owner, or at least half of the start-up partners, must be at least 35 years of age upon the date of signing of the contract.

Hera Start Up may be subscribed online and start-ups may use the Online Hera Service for managing their paperwork.

The Hera Comm sales network and commercial conduct

Hera Comm's commercial strategy for the sale of energy services to small and medium customers (households and companies) entails the use of **commercial partners** that operate across various sales channels.

Also in 2014, Hera Comm continued to work according to several fundamental guidelines:

- selection of agencies defined in the Group's quality system;
- specific training provided to agency managers and their agents by Hera Comm personnel. Training is recorded in a specific internal training register. The training activities also include the contents of the Code of Commercial Conduct defined by AEEGSI. Starting from 2014, agencies have been requested to submit a register that takes note of internal training conducted in the absence of Hera Comm personnel;
- periodical mentoring at final customers' premises by Hera Comm personnel in order to assess the conduct of the sales network;
- signing by all partners of the "Agency Mandate" which includes the Group's Code of Ethics;
- recognisability of all door-to-door agents who must display an identity card to the customer they are visiting and must present themselves by clearly informing the customer that they work for one of Hera Comm's sales partners.

Particular focus continued to be placed on any unfair commercial practices and on the signing of **unrequested energy contracts**. Regarding this point, in addition to the measures already taken in terms of communications sent to subscribing customers (welcome letter), Hera Comm also started to make welcome phone calls in 2014 to all final customers (households and companies) who had been acquired in the areas of expansion, using all different sales channels, either by internal personnel or personnel belonging to its sales partners. This further control helps ensure greater customer protection, confirm their true intention to sign a supply contract and, at the same time, monitor the work of sales agencies. In the event that fraudulent conduct is found, the Agency Mandate includes corrective measures ranging from the application of penalties to termination of the mandate.

During the second half of 2014, Hera Comm published Hera Comm's "Responsibility Charter", the new tool that contains the measures taken to prevent the activation of unrequested electricity or gas contracts. The Responsibility Charter contains the self-regulation protocol laid down in AEEGSI resolution 153/2012/R/com. For details, please see the last paragraph of this chapter.

During 2014, Hera Comm continued to comply promptly with the provisions of AEEG resolution 153/2012/R/com: "Adoption of preventive recovery measures in

cases of unrequested contracts and activations of electricity and/or natural gas supply". Actions were carried out throughout the financial year aimed at intercepting and classifying these requests and then at proposing appropriate recovery measures, as strictly defined by the above resolution. Thanks to improved monitoring and control of sales channels (welcome call), Hera Comm recorded **449 complaints** attributable to commercial practices regarding unrequested contracts (which represent 0.2% of the contracts concluded outside the Group's commercial premises), upholding around 85% of the complaints as falling within the specifications defined by AEEGSI. As a result, 157 recovery measures were applied, net of any cancellation of contracts that had not been requested before activation of the energy supply. The overall number of new gas and electricity contracts signed by Hera Comm in 2014 amounted to 281 thousand (228 thousand related to domestic customers and 53 thousand to non-domestic customers).

The cost of our services

Hera manages **service concessions** (e.g. the integrated water service, urban waste, and gas and electricity distribution) and **free market services** (e.g. waste disposal and gas and electricity sales). For the service concessions, the **tariffs** applied by Hera are **regulated by controlling authorities** (Authority for Electricity, Natural Gas and Water Services and the local Authorities for urban waste), while for free market services, tariffs are freely determined by the sales company. For sales tariffs, AEEGSI defines and updates quarterly the prices for domestic and non-domestic electricity customers that have not subscribed to a free market option and for natural gas service domestic customers that, having not subscribed to a free market option, are subject to the protective economic conditions defined by AEEGSI.

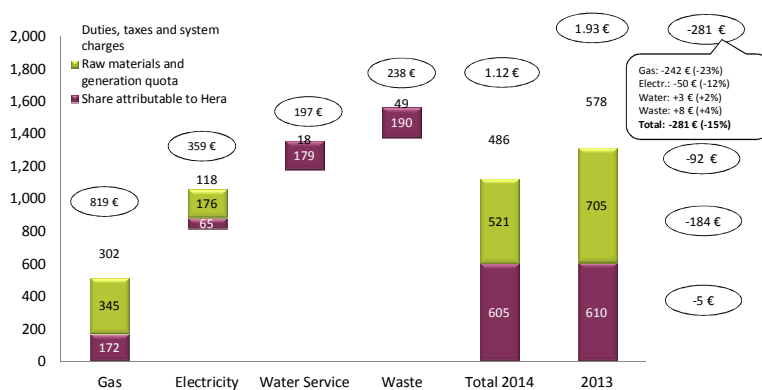
The costs of Hera services for an average customer (real consumption)

Euro	2013	2014	Var. 2014/2013	Var. % 2014/2013
Gas	1,060.14	818.72	-241.42	-22.8%
Electricity	409.03	358.87	-50.16	-12.3%
Water services	193.75	196.60	2.85	1.5%
Waste	230.06	238.15	8.09	3.5%
Total	1,892.98	1,612.34	-280.64	-14.8%
<i>of which attributed to Hera</i>	610.37	604.85	-5.52	-0.9%
<i>of which attributed to raw materials and generation</i>	704.59	521.03	-183.56	-26.1%
<i>of which duties, taxes, system charges and other charges</i>	578.02	486.46	-91.56	-15.8%

Excluding AcegasApsAmga and Marche Multiservizi.

Considering the average yearly real consumption of Hera customers during the two-year period 2013-2014, it is possible to calculate the costs incurred by the customers for the 4 services supplied by Hera. Average customers spent overall Euro 1,612 during 2014 for services supplied by Hera, -15% compared to 2013 mainly due to the reduced consumption of gas and electricity as a result of the climate. In the last year, reduced consumption of gas (-18%), electricity (-10%) and water (-3%) was recorded mainly as a result of the weather conditions. 38% of overall costs, amounting to Euro 605, represent elements of the bills issued by Hera.

The costs of Hera services for an average customer (real consumption)



Based on an analysis considering equal volumes consumed, a 2.1% reduction in **overall costs** (amounting to Euro 44) can be seen compared to 2013, as a consequence of:

- Euro 101 reduction in raw materials and generation directly related to the fuel price trends;
- Euro 20 increase of duties, taxes, system charges and other charges (this increase is particularly due to a Euro 19 increase in the share of electricity system charges and duties and Euro 5 of waste tariff quotas not attributable to Hera and partly offset by the Euro 5 reduction of gas bill duties and system charges);
- Euro 37 related to the increase in bill components attributable to Hera.

The increase in the share attributable to Hera corresponds to 1.8% of the total amount of bills and concerns the water service (Euro 13), the gas service (Euro 11), the electricity service (Euro 7) and the waste management service (Euro 6).

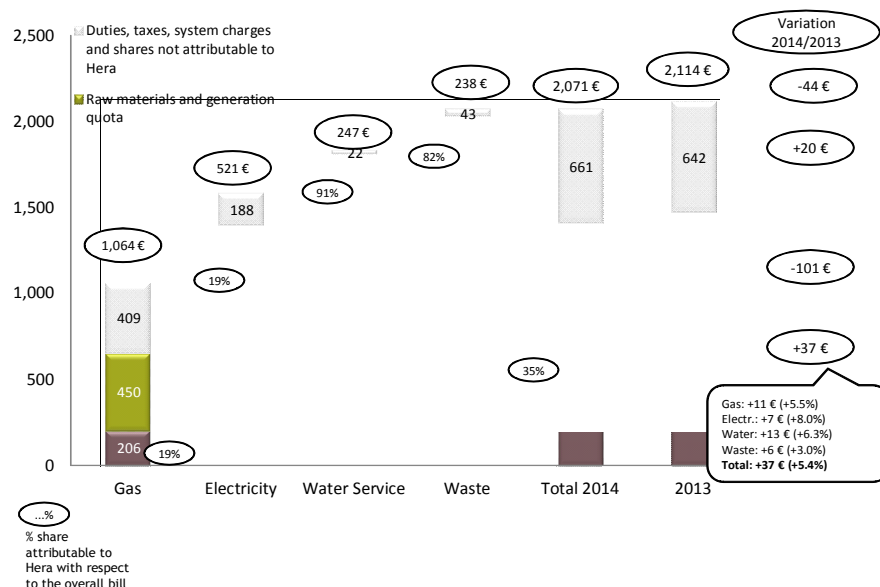
The costs of Hera services for an average customer (constant consumption)

Euro	2012*	2013	2014	Var. 2014/2013	Var. % 2014/2013
Gas	1,139.03	1,141.16	1,064.10	-77.06	-6.8%
Electricity	499.02	513.40	521.40	8.00	1.6%
Water services	210.90	232.21	247.37	15.16	6.5%
Waste	229.15	227.54	237.80	10.26	4.5%
Total	2,078.10	2,114.31	2,070.67	-43.64	-2.1%
<i>of which attributed to Hera</i>	<i>646.05</i>	<i>687.90</i>	<i>724.95</i>	<i>37.04</i>	<i>5.4%</i>
<i>of which attributed to raw materials and generation</i>	<i>826.17</i>	<i>784.87</i>	<i>684.26</i>	<i>-100.61</i>	<i>-12.8%</i>
<i>of which duties, taxes, system charges and other charges</i>	<i>605.88</i>	<i>641.53</i>	<i>661.46</i>	<i>19.93</i>	<i>3.1%</i>

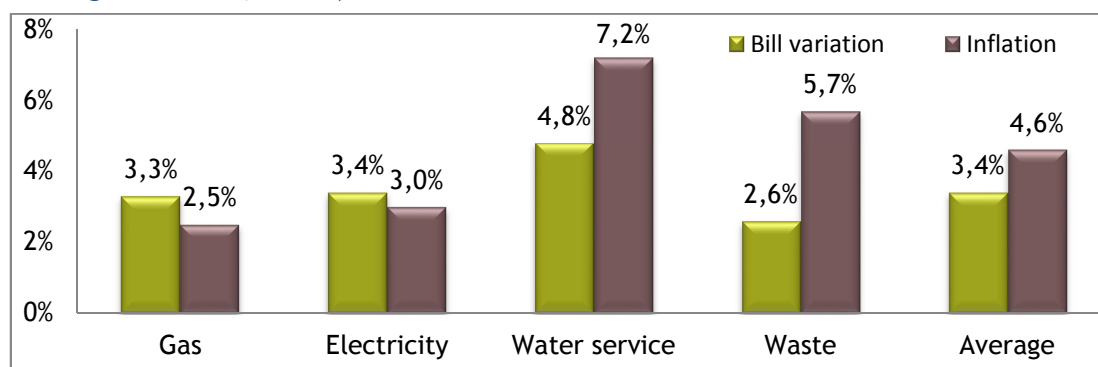
* Excluding AcegasApsAmga and Marche Multiservizi.

A household consuming 1,200 m³ of gas (customer under market tariff protection conditions), 130 m³ of water and 2,700 kWh of electricity (customer of the market with the highest protection), and composed of 3 members living in 80 m². The 2013 water bill was modified by charging the amounts resulting from the application of the new AEEGSI tariffs on an accrual basis. With regard to the waste service, the municipality of Bologna was included starting from 2013.

The costs of Hera services for an average customer (constant consumption)



Comparison between variation of bills from 2006 to 2014 and inflation (annual average increase, CAGR)



Considering a longer timescale (2006-2014), it can be noticed that gas, electricity, water service and waste management bills recorded a lower increase in the Emilia Romagna area served by Hera compared to the increase at national level (average yearly increase of 3.4% compared 4.6% relating to Italy). Specifically, this difference is more pronounced in Hera-served customers in the water service and especially in the waste service.

The gas bill

Euro	2012	2013	2014
Raw material component	556.39	532.10	449.76
Sales quota	46.30	56.00	72.01
Distribution tariff	119.16	139.04	133.78
System charges	14.26	24.64	25.53
Consumption tax	197.84	197.99	197.99
Regional tax	37.41	30.57	30.58
VAT (10%/20%/21%/22%)	167.67	160.82	154.47
Total	1,139.03	1,141.16	1,064.10

Attributable to Hera: 19%
out of the total bill

Weighted average, on the basis of the citizens residing in the municipalities, of six bills for a residential customer in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena, Padua (from 2013), Pesaro (from 2013), Ravenna and Trieste (from 2013), whose yearly consumption measured by the meter totals 1,200 cubic metres of methane gas. The grey

areas refer to tariff components not attributable to Hera. A customer under market tariff protection conditions was considered to whom the economic conditions defined by AEEGSI are therefore applied; this includes 65% of Hera residential customers. The complete data regarding the gas supply tariffs are available on the Group's website.

Considering the same consumption, the 2014 gas bill decreased by 6.8% compared to the previous year, falling to Euro 77. The sales quota (raw material and variable sales quota) fell by Euro 66, as a consequence of the quotations of gas during the year. The distribution tariff decreased by Euro 5 and system charges by Euro 1. Consumption tax and the regional tax are unchanged, while VAT fell by Euro 6 as a result of the above variations.

Gas distribution tariffs are set annually by AEEGSI. Resolution 367/2014/R/GAS of July 2014 which defined the regulation of the gas distribution and metering tariffs for the 2014-2019 regulatory period. Tariffs are differentiated for the six macro-regional areas into which the country is divided, and are determined to guarantee coverage at the macro-area level of the cost of capital and operating costs incurred by distributors. Specifically, the obligatory tariff levels for the distribution services and natural gas metering for January-December 2014 were approved by resolution 633/2013/R/GAS of December 2013.

The distribution tariff impacted around 13% of the total bill in 2014. Part of the distribution tariff includes components to cover general gas system charges (such as energy saving promotion costs) which the individual distributors treat as contra-items, paying the relative proceeds to the national Adjustment Fund for the electricity sector. These bill components are included in the "system charges" item. In 2014, system charges updated by resolution 641/2013/R/com, as updated quarterly, decreased by 13% compared to the previous year, especially due to the reduction in components to cover the tariff compensation system for economically disadvantaged customers and to cover the charges included in the Fund for energy saving measures and interventions. Among the system charges, resolution 134/2014/R/GAS introduced the UG3 component to cover the charges connected to the interruption of redelivery point supply and to late payment of customers provided by last resort suppliers.

The **sales quota** relative to the economic conditions of the supply for the service subject to protection, defined by AEEGSI, is governed by ARG/gas resolution no. 64/2009 (Consolidated act for the retail sale of gas). This resolution defines the protected service economic conditions for entitled customers. In 2011, AEEGSI started a reform of these conditions. Implementation commenced with ARG/gas resolution no. 116/2012, which, by transposing the indications laid down in Decree Law no. 1/2012, establishes the modification of the previous indexing mechanism (connected to a basket of oil products which the purchase formulas of the long-term procurement contracts entered into by leading Italian importers refer to) with gradually increasing indexing based upon the gas wholesale market. In 2014, raw material costs were indexed according to the gas price of the Dutch hub TTF, which reflects the costs of the European markets, pending activation of an Italian reference market, which is the aim of a subsequent tariff change phase. The tariff components that together make up the raw material purchase costs in 2014 account for 42% of the total bill. Resolution 196/13/R/gas updated the retail sales component from October 2013, by increasing it in compliance with the overall reform framework.

Lastly, in 2014, **taxes** account for an average of 36% of the total. These taxes are due to the State and regional government authorities (consumption tax, additional regional tax and VAT). Taxes are set by specific provisions by the Ministry of the Economy and Finance and the regional government authorities, and vary according to the use of the gas, whether for heating or only for cooking or industrial uses. Beginning from January 2008, VAT is applied at 10% for up to 480 cubic metres annually, and above that, VAT is set at 22% under Decree Law 76/2013.

As an alternative to the protective economic conditions, customers may choose various solutions from the portfolio of Hera Comm's free market offers for residential customers and small companies. The "Giorno Hera" offer provides Customers with the opportunity of a fixed and constant daily amount, helping them avoid high cost peaks throughout the year. The "Prezzo Netto" offer instead links the cost to the natural gas wholesale market. Lastly, with the "Prezzo Fisso" offer, the "energy component" cost is fixed for 24 months. Joining the "Prezzo Netto Natura" offer provides savings of approximately Euro 42, equal to 4.0% of the bill indicated above.

Before subscribing to the free market offers introduced by Hera Comm, the customer receives a comparative sheet, drawn up according to the criteria defined by the Authority (ARG/com resolution no. 104/2010), in which the estimate of annual expenses generated by the offer proposed is compared with the estimate of the annual expense resulting from the economic conditions of the protected service, defined by AEEGSI. The comparative sheets are available at Hera Comm's website.

The electricity bill

Euro	2012	2013	2014
Energy generation quota	240.61	215.93	194.11
Dispatching quota	29.17	36.83	40.39
Distribution and sales quota	89.60	92.01	99.39
System charges	73.85	101.52	118.59
Taxes	20.43	20.43	21.52
VAT (10%)	45.36	46.67	47.40
Total	499.02	513.40	521.40

Attributable to Hera: 19%
out of the total bill

Weighted average of a bill for a residential customer residing in the municipalities of Modena, Imola and Trieste (from 2013) with an installed capacity of 3 kW and annual consumption of 2,700 kWh. The grey areas refer to tariff components not attributable to Hera. A customer of the market with the highest protection with a residential contract was considered; this includes 38% of Hera residential customers.

Considering equal consumption, the electricity bill of a residential customer to which the service subject to the highest protection is applied increased by 1.6% in 2014 compared to the previous year (8 Euro). The Euro 22 reduction in the generation quota was more than offset by the increase in the remaining items, especially the system charges. Only the distribution and sales quota is attributed to Hera for coverage of the management and maintenance costs of the power grid incurred by the distributor Hera S.p.A. and the costs for sales activities (invoicing, bill sending, etc.) which are incurred by the sales company Hera Comm. This portion represents only 19% of the total bill.

The 2014 bill is calculated by using the twin rate tariff and the profile type defined by AEEGSI (one third of consumption in the peak period, from 8 am to 7 pm from Monday to Friday, and two-thirds during off-peak periods), which causes no difference between the twin rate and single rate prices. The twin rate tariff for domestic customers of the protected market was introduced in July 2010. Initially, the twin rate tariffs permitted customers to save by shifting consumptions to the cheapest times of the day, corresponding to off-peak periods. Over the last years, the divergence between peak and off-peak tariffs has gradually been reduced, mainly as a result of the variations in the Italian production system which has seen an extremely strong increase in the production from non-programmable renewable sources (photovoltaic and micro production plants), leading to a reduction in energy costs in peak hours.

Bills sent to customers include the following macro-items:

- sales service (sales costs, costs incurred to purchase energy and for the dispatching service, which ensures a balance between electricity supply and demand at all times);
- grid services (to cover the service for transporting electricity on the national transmission and local distribution grids to the meter, including transport, distribution and metering costs and system charges);
- taxes.

System charges, included within grid services, have been defined by implementing laws and ministerial decrees, most significantly: Legislative Decree no. 79/1999, Decree of the Industry Minister of 26 January 2000, Law no. 83/2003 and Law no. 368/2003. Among the system charges, the highest cost component for final customers (equal to 79% of overall system charges) promotes the production of energy from renewable and similar sources through an incentive system which guarantees definite compensation for the energy produced and special conditions for the connection of the plants to the networks. This component has constantly increased over the past years following the increase in production from renewable sources and the costs for adapting the network to these sources.

Integrated water services bill

Euro	2012	2013	2014
Aqueduct	88.61	94.42	100.61
Sewage	23.66	28.02	29.83
Purification	64.32	71.47	75.64
Fixed quota	15.14	17.70	18.80
VAT (10%)	19.17	20.59	22.49
Total	210.90	232.21	247.37

Attributable to Hera:
91% out of the total
bill

Weighted average, on the basis of citizens residing in the municipalities, of seven bills for a household of 3 residents in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena, Padua (from 2013), Pesaro (from 2013), Ravenna, Rimini and Trieste whose yearly consumption totals 130 m³ of water. The grey areas refer to tariff components not attributable to Hera.

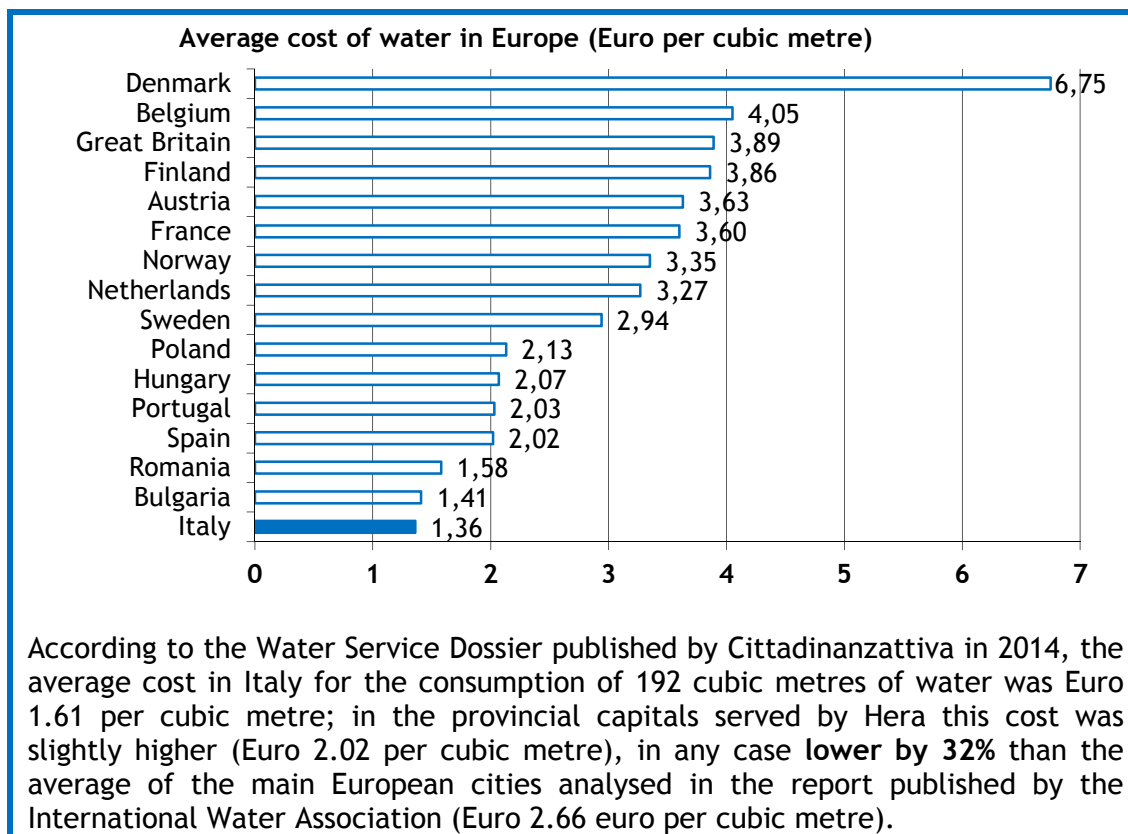
Consumption being equal, the average bill for a residential customer for 130 m³ per year increased from Euro 210.90 in 2012 to Euro 247.37 in 2014, an increase of 6.5% over the last year.

Beginning from 2012, AEEGSI has been responsible for the regulation of the water service. It set up a Provisional Tariff Method for the 2012-2013 period and a tariff method for 2014-2015. The 2012-2013 tariffs proposed by ATERSIR to AEEGSI, based upon on the Provisional Tariff Method, were definitely approved by AEEGSI by Resolution 99/2014/R/idr of 6 March 2014. The 2014 and 2015 tariffs were approved by AEEGSI by resolution 433/2014/R/idr of 7 August 2014.

In 2014, the tariffs also included the components relating to 2013 recognised by AEEGSI by way of resolution of 6 March 2014. To achieve a correct representation of the evolution of the bill for a “standard” customer in the three years considered, the quotas were considered in the years of reference. For this reason, the 2013 bill was updated by adding the amount referring to such year invoiced to the customers in 2014.

The cost of water in Italy and Europe

A survey carried out by the International Water Association shows a marked difference among the tariffs applied in 160 cities of the 36 countries analysed. Considering the 16 European countries included in the study, in 2013 the cost of water for the consumption of 200 cubic metres varies between Euro 1.36 and 6.75 per cubic metre. **Italy has the lowest cost** (the Italian cities considered are Bologna, Milan, Naples, Rome and Turin).



Average expenditure for the integrated water service differs in the areas in which Hera operates and this depends on the different industrial cost structures in the various local areas, especially as an effect of the quality of water at the origin, the proximity of the abstraction source used, and the investments made. The regulations taken up by AEEGSI and the tariff mechanisms identified by it helped us continue to make considerable investments, particularly for those sectors with a higher environmental impact, such as reclamation from sewage-purification.

In 2013, the portion of the tariff intended to cover the investments made and repay capital invested was 29% of the tariff, while the remaining 71% went to covering operating, maintenance and emergency costs for grids and plants and the fees paid to municipalities and asset companies for the use of infrastructures.

The new water service regulation

The water service regulation adopted by AEEGSI in 2012 superseded previous national and regional regulations. In complying with its main objectives of promoting investments, pursuing efficiency and seeking economic and financial balance, AEEGSI approved a tariff method that respects the outcome of the referendum and eliminates the return of capital invested from the calculation of the tariff. In compliance with the provisions of EU law, it includes the coverage of operating costs, amortisation, financial charges and taxes.

In accordance with AEEGSI provisions, the operators agreed to return to users, pursuant to paragraph 2.5 of resolution 273/2013/R/IDR, the integrated water service tariff component related to the capital remuneration invested for the period 21 July - 31 December 2011, as calculated by ATERSIR. With regard to the Emilia Romagna area falling under Hera's responsibility, the amounts are overall Euro 5 million. Hera returned the amounts to users during 2014.

In 2015, AEEGSI will define the new tariff method for the second regulation period 2016-2019 and will also regulate certain service quality aspects and specific measures aimed at reducing late payments.

Expenditure for waste collection and disposal

Euro	2012 TIA	2013 TARES	2014 TARI
Fixed quota	82.14	96.61	102.21
Variable quota	117.12	92.63	92.68
Fixed and variable quota not attributable to Hera	-	24.56	31.59
Additional province charges	9.96	10.76	11.32
VAT (10%)	19.93	2.99	-
Total	229.15	227.54	237.80

Attributable to Hera: 82%
out of the total bill

Weighted average, on the basis of residing citizens, of six bills for a household of 3 people, resident in the municipalities of Bologna (from 2013), Ferrara, Forlì, Imola, Modena, Padua (from 2013), Pesaro (from 2013), Ravenna, Rimini and Trieste (from 2013), in an apartment measuring 80 m². 2013 and 2014 data refer to TARES and TARI, respectively, and do not include the increase for indivisible services. The grey areas refer to tariff components not attributable to Hera.

A household of 3 people, residing in an apartment measuring 80 square metres paid approximately Euro 238 for waste collection and disposal. 18% of the bill was not attributable to Hera and regards the additional province charges and other TARI items relating mainly to the coverage of uncollected amounts (unpaid portion). These items absorb around half of the overall increase in the 2014 bill totalling around Euro 10. This increase corresponds to a 4.5% variation **that is significantly lower** than that recorded by the consumer price index for waste collection drawn up on a monthly basis by Istat, equal to +10.8% in 2014.

Starting from January 2014, both in the Municipalities where the Environmental Hygiene Tariff (TIA) was applied and those where the Tax on Waste and Indivisible Services (TARES) was applied, a Waste Tax (TARI) was set up. The new tax must ensure complete coverage of waste management service costs (sweeping and washing of roads, of public areas and of private areas subject to public use). The municipalities could entrust collection of the tax to the waste service operators: this choice was taken by 65 municipalities out of the 73 for which Hera managed the TARES.

Appraisal of the portion attributable to Hera in the 2014 TARI bill reported below was carried out by excluding the VAT billed by Hera to the municipalities from the amount for the urban hygiene services and for the TARI collection service which Hera performed on behalf of the municipalities and for other TARI items not attributable to Hera.

The regulations on urban waste tariffs establish that the operator's remuneration must fully cover the service management costs and ensure a fair return on the capital invested by the operator in order to implement the service. In the Emilia Romagna municipalities, the **coverage of costs** in 2013 for the urban waste management service **was equal to 96%**. This percentage is the ratio between the waste management service costs set out in the Financial Plans and the actual costs incurred during the year.

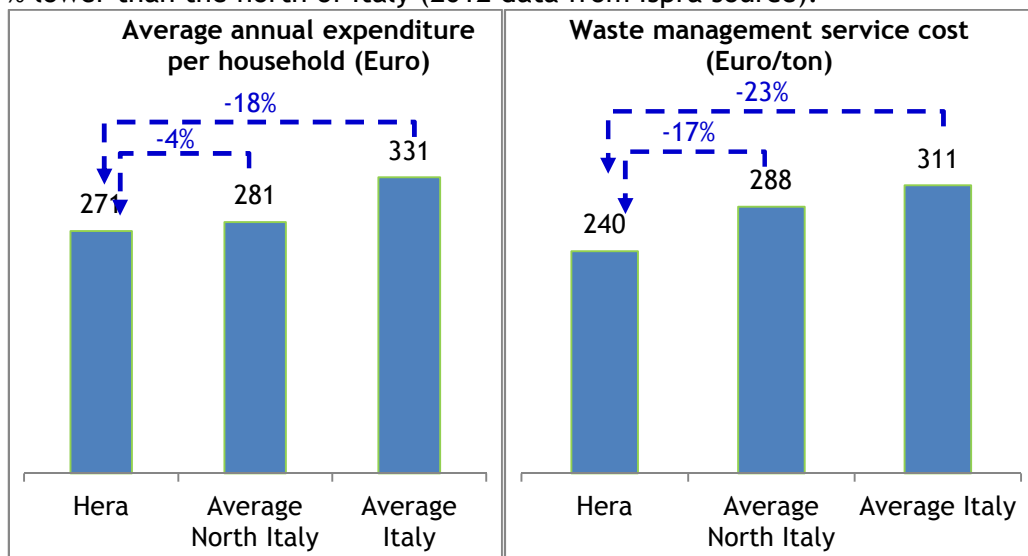
By analysing the data of the Collection Centres, it can be calculated that a household of 3 members disposes of 254 kilograms of waste annually in the Separate Waste Collection Centres (paper, cardboard, glass, tins, plastic, other materials such as oils, small appliances, etc.): the average discount is Euro 23. This discount, added to the savings from the additional province charges, comes out to 10% of expenditure of an average family. In the areas where domestic composting is also incentivised, the discount applicable to a household of 3 people varies from Euro 15 in Ravenna to Euro 22 in Modena. Therefore, residents who bring their separated waste to the Collection Centres and carry out domestic composting can benefit in average from a discount of Euro 42 on their bills which, in addition to the additional province charge, represents 18% of total expenditure.

Regarding the definition of the quantity-based tariff and the proposal put forward to the Municipalities for its management in the form of a fee, Hera - while pending a further update of national applicable regulations - is ready to launch two experimental projects in 2015 in the same number of municipalities with a view to defining an optimal model and industrialising it on a large scale in the future.

The cost of urban hygiene services in Italy

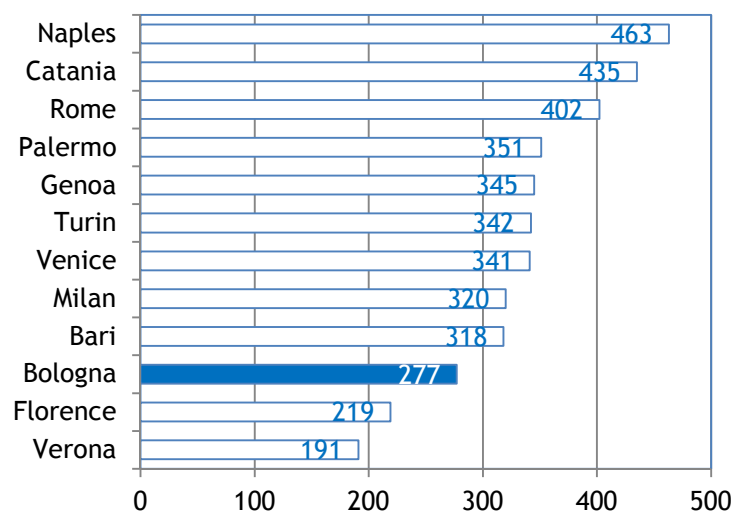
According to Cittadinanzattiva (Osservatorio prezzi e tariffe), Hera's waste management cost in 2013 was 18% lower than the average Italian cost and 4% lower than the average cost in the north of Italy (considering a household of 3 members in 100 square metres).

Even if we consider the cost per ton of waste treated, Hera shows lower costs than the rest of Italy, also as a consequence of the high assimilation of waste that allows the fixed costs of the service to be spread across a larger amount of waste: the cost per ton of Hera treated waste is 23% lower than the Italian average and 17% lower than the north of Italy (2012 data from Ispra source).



Cittadinanzattiva's 2014 report also compares the 2014 urban hygiene service in the Italian provincial capitals. Regarding large-sized municipalities (over 250 thousand inhabitants), Bologna with a Tares of Euro 277 is among the cities with the lowest cost.

Total cost per user in cities with over 250,000 inhabitants (3 occupants 100m², Euro)



The district heating bill

Euro	2012	2013	2014
Meter rental	26.64	26.64	26.64
Variable quota	1,136.53	1,160.85	1,077.66
VAT 10%/20%/21%/22%	116.32	118.75	110.43
Total	1,279.49	1,306.24	1,214.74

Weighted average based on the volume served of the bills for a household resident in the municipalities of Bologna, Cesena, Ferrara, Imola and Modena, with an average consumption of 1,200 m³ of methane gas, measured at the meters, with a monomial domestic tariff: this includes 68% of Hera customers. The bill for Ferrara was calculated excluding the tax incentives recognised due to the prevalent use of geothermal sources. The grey areas refer to tariff components not attributable to Hera.

The expenses incurred by a household in 2014 for district heating are 7.0% lower than in 2013.

Comparing the average expenses paid by a household for the district heating service with those which would be required for a methane gas plant, it is clear that district heating brings about significant savings.

The methods and the figures included in the expenditure comparison calculation were certified by a PriceWaterhouse study which carried out a district heating tariff analysis during the first half of 2013.

Average savings amounted to 9% and are similar in the various areas in which the Group tariff is fully applied (with the exception of Ferrara, where savings were greater, as customers in this area can take advantage of a “tax incentive” due to the prevalent use of renewable energy). Savings for district heating compared to gas expenses is caused by the fact that with district heating, lower accessory charges are incurred for the management of the plant: for district heating, accessory costs come to Euro 45, while for gas, they come to Euro 312 per year (the annual quota for the purchase of the boiler and the related ordinary and extraordinary maintenance costs).

Tariffs for families undergoing economic and physical difficulties

For the supply of electricity, the “social bonus” is an instrument introduced by the government in 2008, and made operational by the AEEGSI, in partnership with the municipalities, for the purpose of supporting families undergoing financial difficulties and large families, guaranteeing savings on their electricity expenses. The electricity bonus is also provided for persons with physical difficulties, meaning cases of serious illnesses which require the use of electronic medical devices which are crucial for keeping the patient alive. For families undergoing financial difficulties and large families that fall within the scope of the ISEE parameters, the bonus provides savings ranging from a minimum of Euro 72 to a maximum of Euro 156. The amount is differentiated based on the number of members of the family. The electricity bonus for persons with physical difficulties allows savings ranging from a minimum of Euro 177 to a maximum of Euro 639.

Also for gas, the “social bonus” provides a reduction in bills for low-income families and large families that fall within the scope of the ISEE parameters. The bonus was introduced by the government in 2009 and made operational by the AEEGSI, also in this case in partnership with the municipalities. The bonus exclusively applies to natural gas distributed through the network and to consumption in the user’s residence. The bonus can be requested by all domestic customers who use natural gas with a direct supply contract or through a condominium plant. The bonus is determined each year by the Authority in order to provide savings ranging from a minimum of Euro 35 to a maximum of Euro 318.

Gas and electricity bonuses issued

	2012	2013	2014
Number of bonuses issued	43,001	44,005	45,483
Value of bonuses issued (thousands of €)	3,566	4,436	5,055

Excluding AcegasApsAmga and Marche Multiservizi.

In 2014, the gas and electricity bonuses issued to Hera Comm customers amounted to 45,483 (44,005 in 2013) for overall Euro 5 million.

According to AEEGSI provisions, the tariff structures for the **water service** applied in 2014 did not vary compared to those applied in 2013. Therefore, the usual benefits were applied to large families (507 benefits granted in 2014) in the areas of Modena (only in municipalities where the per capita tariff is not applied), Ferrara, Ravenna and Rimini. Regarding disadvantaged families, the Area Authority of Emilia-Romagna for Water and Waste Services, by way of resolution no. 38 of 29 July 2014, approved the Regulations for the allocation of tariff benefits for the integrated water service to users at risk. The Regulations are consistent across all Hera areas, valid for 2013 and 2014 and provide that the benefits be issued during 2015, thus superseding all pre-existing rules. In 2014, the tariff benefits granted to vulnerable users **amounted to Euro 504 thousand**.

AEEGSI, by way of resolution no. 8/2015, started a procedure for defining tariff structure criteria to be applied to water service users. The procedure envisages the harmonisation of the tariff structure systems and the existing benefit systems by the end of 2015.

Regarding **waste management services**, Hera applies benefits to parties who are experiencing serious social/assistance difficulties, who can be recognised as totally or partially exempt from payment of the TARI. The municipalities are responsible for allocating the funds to individuals identified on the basis of their income. Furthermore, in some areas, the tariff or tax can be reduced for households composed of one person who has a disability or a degree of permanent invalidity of over 60%.

Hera initiatives to support users facing financial hardships

Hera allows customers faced with financial difficulties to pay their bills in instalments. Households facing financial hardships (that are not behind with any payments including instalments previously granted) are allowed to pay their bills in three instalments, with application of an interest rate equal to the official reference rate of the European Central Bank (equal to 0.25% at the end of 2013), increased by 3.5%. In certain cases of financial hardships (customers using the temporary layoff fund, on unemployment benefits, beneficiaries of the income support fund of the Emilia-Romagna Bilateral Agency or customers who are unemployed as a result of reduction or termination of work) the instalments are extended to 6 months without interest. In cooperation with social assistants, the instalments may be extended to nine months. Instalments having the same characteristics are also granted to small enterprises.

Throughout 2014, approximately 144,000 instalment plans were set up for Group residential customers, dropping by 9% compared to the previous year (-20% in terms of value divided into instalments). The number of instalment plans implemented for business customers (approximately 5,000) fell by 43%, making the overall value drop by 22% compared to 2013. This trend is mainly ascribable to two factors: the extraordinary peak of requests in 2012 and in 2013 due to earthquake-related causes and the reduction in value of the bills following the milder weather conditions.

Number and value of bills paid in instalments

	2012	2013	2014
Number of bills paid in instalments	134,962	167,608	149,697
Value of bills paid in instalments (thousands of Euro)	99,495	179,000	141,921

Excluding Marche Multiservizi

In all the local areas managed by Hera there is a well-established cooperation with Municipalities' social services and with welfare institutions in support of customers facing financial hardships. In a number of local areas, by wish of the Municipalities and Provinces, memorandums have been signed based on management rules which are adopted in all the local areas managed by Hera with the aim to make the adopted procedures and the implemented collaborations in keeping with local specific needs.

The protocols and memorandums currently in force jointly aim to reduce the ascertained financial difficulties of families and, more specifically, envisage:

- **Memorandum of Ravenna** signed by the Municipality of Ravenna, by the ASP (Agency for Services to Citizens) of Ravenna, Cervia, Russi and by the Municipalities of the Union of Rubicone, and Hera: Hera has committed to suspend any credit collection action against customers until it has received a reply from the competent Authority;
- **Memorandum of Forlì-Cesena** signed by the Province of Forlì-Cesena and by the Municipalities of Forlì, Cesena, the Union of the Municipalities of Rubicone and Hera: the objective is to avoid interrupting supply to citizens identified by the Municipalities that have signed the memorandum and are included in monthly updated lists. Hera informs the Municipalities beforehand as to which customers are included in the lists subject to reminders or notice of suspension; based on this information, the social assistants decide whether to assign total or partial benefits to the customer or allow use of the special conditions for debt repayment in instalments;
- **Memorandum of Trieste** signed by the Municipality of Trieste and AcegasApsAmga, AcegasAps Service and Estenergy for gas and water supply. The memorandum provides that in the event of suspension of the supply, Hera undertakes not to disconnect the supply if it receives a positive reply from the municipal social services regarding their willingness to financially support the customer either totally or partially. In the event of partial financial support, Hera defines a subsidised payment plan that it communicates to the customer in order to avoid disconnection of the supply.
- **Agreement with the Municipality of Imola and Asp Circondario Imolese** with the aim to avoid interruption of the supplies of customers included in lists that are updated on a monthly basis. Hera informs the Asp beforehand as to which customers are included in the lists subject to reminders or notice of suspension; based on this information, the social assistants (also with the contribution of Caritas) decide whether to assign total or partial benefits to the customer or allow use of the special conditions for debt repayment in instalments.

The district heating social bonus

In 2010 Hera voluntarily introduced a bonus to offset expenses for the district heating service, to be applied with the same procedures as those used to apply the offset to gas and electricity service expenses. The bonus varies from Euro 115 to Euro 211 per year, based on the number of household members and the climatic area. 934 applications were submitted in 2014 (983 in the previous year)

amounting to Euro 155 thousand. The bonus became permanent in 2013 and will be granted on a yearly basis to the customers entitled to it that have submitted an application.

The contracts establish that if the bill is not paid the service may be suspended. In these cases, a first reminder is sent approximately 20 days after the bill's expiry (only for debts of up to Euro 250) and a subsequent reminder (after an additional 20 days) is sent by registered mail, which informs the customer that the service is at risk of suspension. If payment is not made, the supply is suspended, in cases of debt under Euro 250, on average two months after the bill expires. The customer may request to pay the bill in instalments throughout this period. If the suspension involves condominium users, it is customary to inform the residents individually before suspending the service.

Regarding the supply of water, until February 2014 Hera limited or suspended its supply in compliance with the provisions of the Integrated Water Service Charter and with the regulations of competent authorities in force. In March 2014, Hera decided, on a voluntary basis, that in the event of late payment by domestic customers or mixed customers, it would limit the supply in all the Emilia-Romagna areas served but never suspend it. This procedure will also be taken up in the Padova and Trieste areas in 2015.

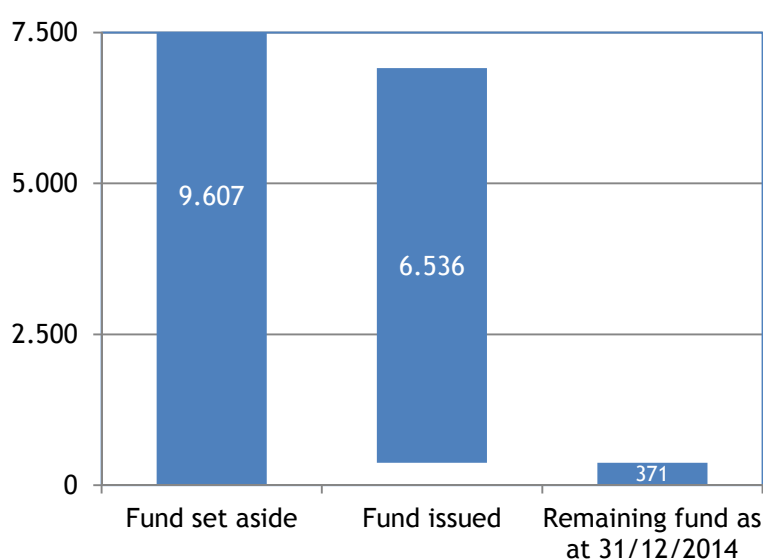
The "water leak fund"

During 2014, Hera S.p.A. defined a single regulation across all the areas served that sets up a "leak fund" to protect customers in the event of hidden water leaks along the system they own or downstream the meter. This voluntary instrument, already tested successfully in Ravenna and Rimini, allows partial coverage of bills of even very high amounts that are the consequence of accidental and unknown leaks along the customer's private network. With a yearly contribution of Euro 15 that are charged on the bill, customers who join the offer can obtain, in the event of water leaks, reimbursement of the entire amount referring to the volumes that exceed by 80% usual average consumption, up to a maximum of Euro 10,000.

Joining the fund is not compulsory and customers may withdraw at any time by way of a simple communication.

The entire amount set aside for the "leak fund" is made fully and exclusively available for covering the costs incurred by customers that have a water leak.

Leak fund year 2014 (thousand Euro)



Leak fund and beneficiary customers

	2014
Funds issued (thousands of €)	6,536
Number of beneficiary customers	5,401
Average reimbursement (Euro)	1,210

The fund presents a positive balance as at 31 December 2014 of around Euro 370 thousand, 233 thousand of which resulting from the operations prior to the single regulation. The interest on the monthly balances of the fund set aside (calculated according to the legal rate in force) amount to Euro 1,632. The fund reimbursed 5,401 customers in 2014, 3,627 of which during the period of the new regulation, totalling an average reimbursement of Euro 1,200, to which around Euro 400 must be added relating to sewage and purification quotas not charged. Only 2.7% of customers did not join the “leak fund” with differences across the areas ranging from a minimum of 0.8% in Rimini to a maximum of 4.1% in Modena.

The introduction of the “leak fund” throughout the Emilia Romagna area managed by Hera allowed the consistent resolution of very critical situations for customers who in the event of hidden leaks downstream their meter are faced with the problem of very high bills.

Service quality

Specific standards defined and constantly monitored to ensure a high-quality service

Electricity and gas

Regulation of quality divides the standards to be met into “general” and “specific”: failure to meet the latter due to causes attributable to Hera requires the payment of **indemnities** to customers or to the sales company requiring technical data from the distributor, which may vary depending on the type of supply (low or medium voltage for electricity, the meter category for gas), the **delay in executing the service** and the times required for compensation. The automatic compensation varies from **Euro 20** to **Euro 140** based on the type of supply, and can increase based on the delay in the provision of the service or the fulfilment times.

Among the specific quality standards for the distribution service, we note the **time limits for executing works, activating supply, and the failure to comply with the punctuality bracket** for appointments scheduled with customers (resolution 574/2013/R/GAS and ARG/elt 198/11). For sales, the standards monitored are compliance with the time limits for adjusting bills and claim response time (Consolidated Regulations on the Quality of Electricity and Natural Gas Sales Service).

Water and waste management

When managing the **integrated water service** and the urban **waste management** service, the operator is committed to complying with specific minimum quality standards set forth in the **Service Charter**. This document is drawn up on the basis of a template prepared by the Area Authorities and annexed to the signed agreements.

Since 2011, all the provinces have signed the Water Service Charter, which for the area of Emilia-Romagna was approved by the consumer associations and **made available at branches** and on the **website**. The Waste Management Service Charter is in force in the local areas of Ferrara, Padova and Trieste. Since 2008, **the monitoring of the quality standards** for the approved charters has been in place, as well as the related automatic settlement of compensation to customers whose services were provided outside of the standard time limits due to causes attributable to Hera. The specific quality standards providing automatic

compensation include the timeframe for estimation regarding simple aqueduct works, activation of supply and reactivation in the event of late payment. The base automatic compensation varies from Euro 26 to Euro 32 in the various areas, and can increase by up to three times due to delays in service execution times and by up to three times for delays in paying the compensation. The Service Charters in force in Padova, Pesaro and Trieste envisage that compensations may be paid at the request of single customers.

District heating service

In 2008, Hera began **monitoring**, on a voluntary basis, **the quality of significant services** and provided for the automatic payment of compensation to customers in the event of **non-fulfilment of the commitments** set forth in the “District heating service quality charter” in force in the local areas of Emilia-Romagna. The automatic compensation varies from **Euro 35 to Euro 150** based on the type of supply, due to failure to comply with standards, for causes attributable to Hera, such as estimation for the execution of simple works, the activation and reactivation of supply in the event of suspension due to late payment. The compensation may be increased by up to three times due to delays in fulfilment times.

Compliance with specific quality standards

%	2012	2013	2014	Number of services provided (2014)
Gas	99.6%	99.4%	99.7%	2,045,105
Electricity	98.3%	97.4%	97.0%	62,867
Integrated Water Services	99.2%	99.3%	99.4%	130,833
District Heating	99.7%	99.3%	99.2%	1,207
Total	99.5%	99.3%	99.6%	2,240,013

Includes the services for which automatic compensation to the customer is envisaged in the event of non-compliance with the standard due to reasons attributable to the company. The data relating to the quality standards of sales do not include Estenergy and AcegasAps Service.

The overall data confirm the results of the previous years: in 99.6% of cases, the Group provided the service requested by the customer within the timeframes established by the Italian Authority for Electricity, Natural Gas and Water system or by the Services Charters in force. This percentage has grown, on a like-for-like basis, from 95.8% in 2008 to 99.5% in 2014.

Compliance with specific gas and electricity quality standards

%	2012	2013	2014	Number of services provided (2014)
Gas sales	98.4%	98.4%	98.1%	9,816
Gas distribution (final customers and sales company)	99.6%	99.4%	99.7%	2,035,390
<i>Total gas</i>	<i>99.6%</i>	<i>99.4%</i>	<i>99.7%</i>	<i>2,045,206</i>
Electricity sales	97.9%	97.3%	98.3%	8,797
Electricity distribution (final customers and sales company)	98.4%	97.4%	96.8%	54,070
<i>Total electricity</i>	<i>98.3%</i>	<i>97.4%</i>	<i>97.0%</i>	<i>62,867</i>
Total	99.5%	99.3%	99.6%	2,108,073
<i>Of which gas and electricity distribution</i>	<i>99.5%</i>	<i>99.3%</i>	<i>99.6%</i>	<i>2,089,460</i>

Includes the services for which automatic compensation to the customer is envisaged in the event of non-compliance with the standard due to reasons attributable to the company. The data relating to the quality standards of sales do not include Estenergy and AcegasAps Service.

Almost all of the single performances show greater compliance with the timeframe envisaged. More specifically, the positive trend for certain performances featuring a high number of requests continued: the execution of simple works for gas services (from 93.1% in 2013 to 95.1% in 2014) and the estimation of simple works for gas and aqueduct services (from 95.5% to 99.2% for gas services and from 96.2% to 97.1% for aqueduct services). Details relating to each single performance are attached to this Report.

The objective for 2015 is to guarantee compliance with the specific quality standards laid down by AEEGSI and by the Water Service Charters in 98.5% of cases.

Initiatives for improving the quality of readings

Initiatives designed to improve the quality of readings and the accuracy of invoiced consumption were developed during 2014, both in terms of manual reading on mechanical meters and of remote reading on electronic meters.

With specific regard to manual reading on mechanical meters, the initiatives involved:

- **carrying out at least two reading attempts per year** for all meters, even in cases in which sector provisions require only one reading (gas consumption below 500 cubic metres/year) and monthly readings for customers with high consumption;
- **optimising activity planning:** reading meters by geographical areas, staying in the reading area to facilitate revisits and preparing reading calendars based on which, in compliance with sector provisions, meters are checked in periods when the reading will most probably be successful;
- **conducting further specific reading campaigns** on meters that in the course of time have presented greater reading difficulties (especially when meters are not physically accessible);
- **developing incentive systems for third-party companies** used for the reading services in order to achieve efficient reading;
- **integrating real-time control systems** to reduce any material errors, including taking photographs of the meter reading;
- **analysing the reports and complaints** to identify areas of improvement.

Regarding remote reading on electronic meters, the activities included:

- **checking** the correct functioning of the systems and the remote accessibility of the meters **on a daily basis**;
- **monitoring in detail the restart actions** in cases of malfunctioning;
- **identifying and carrying out innovative projects aimed at increasing the efficiency of the remote reading system** (e.g. improving the communication systems by resolving the interferences on the electrical networks used for data transmission).

Quality of drinking water

Over 300,000 analyses on water to guarantee its high quality

In 2014, a total of **324,091 analyses** were performed by Group laboratories on **drinking water**, which amounts to approximately 890 per day. Of these, 59% were carried out on samples collected in the **distribution networks**.

The controls on the quality of the water used in the production of water for drinking and human consumption are governed by Legislative Decree no. 152/2006 and Legislative Decree no. 31/2001, respectively.

The controls are carried out by the water service manager and the USL (Local Health Authorities) at the **source sampling points**, at the water treatment and accumulation **plants** and along the **adduction and distribution networks**.

Hera has developed a Group Control Plan which describes the **sampling points and the control methods applied** (analytic parameters and frequencies). The Control Plan is developed on the basis of guidelines focusing on the water's **chemical, physical and bacteriological** characteristics, to comply fully with legal requirements and ensure a top quality product.

How much does water cost?

Consuming tap water instead of mineral water, other than benefiting the environment, also provides economic savings: considering an average yearly consumption level of 1,000 litres for a household of three people, and an average price in Italy of 30 cents per litre for certain commercially distributed mineral waters, the yearly cost for mineral water is around Euro 300/year. The cost for the same quantity of mains water is instead Euro 1.9/year (calculated as 2014 average of the bills of nine main cities served by Hera). Italy is at the first place in Europe with regard to consumption of bottled water with 187 litres of water consumed per capita in 2013 (Source: Beverfood 2014).

Water quality also means controlling the effectiveness of the **treatment process**. For example, chlorides and trihalomethanes are searched for, which result, respectively, from the use of chlorine dioxide and sodium hypochlorite as disinfectants. The **concentration of chloride and trihalomethanes** in the distribution network is constantly kept under control within the **legal limits**.

Beginning in 2008, the average data recorded for the **pH, total hardness, dry solids at 180°, chloride, fluoride, sodium, nitrate, nitrite and ammonium** are published on the Group's website, listed by individual municipality, and are updated every six months. Beginning in 2012, this set of parameters has been extended to further four: **calcium, magnesium, sulphates and total alkalinity**. These 13 parameters are considered to be representative of the **quality of the drinking water distributed** and can be compared to the quality of the bottled water available for sale.

Starting from the second half of 2014, this set of parameters was extended to further six, as provided for by the AEEGSI: **conductivity, potassium, arsenic, bicarbonate, residual chlorine and manganese**. The parameters subject to publication are 19, therefore, one more than the number determined by the Authority.

Since January 2009, all of the drinking water production plants in Romagna have been managed by Romagna Acque - Società delle Fonti, the company established for this purpose by the local Romagna administrations. Consequently, the water distributed in the areas of Forlì-Cesena, Ravenna and Rimini is purchased wholesale by that company, and Hera's involvement in quality is limited to **managing the supplementary disinfection stations** along the distribution networks.

Quality parameter comparison between water distributed by Hera and commercially available mineral water products

	Mineral waters (min-max)	Tap water limits Legisl. D. no. 31/2001	Bologna	Ferrara	Forlì-Cesena	Modena	Padova	Ravenna	Rimini	Trieste
pH	5.8-8.0	6.5-9.5	7.6	7.7	7.7	7.5	7.5	7.9	7.7	7.6
Hardness (°F)	3-93	50*	30	21	27	35	24	24	28	18
Dry solids at 180°C (mg/l)	22.3-1370	1,500*	368	247	308	525	285	295	360	240
Sodium (mg/l)	0.28-73.1	200	22	18	17	56	4	23	23	8
Fluorides (mg/l)	0.04-1.1	1.5	0.11	0.13	0.13	0.11	0.16	0.11	0.13	0.04
Nitrates (mg/l)	1-9	50	7	8	6	18	13	4	8	8
Chlorides (mg/l)	0.18-81.2	250	29	27	21	88	9	30	33	13

* Recommended values

Comparison carried out with the data provided on the labels of 17 commercially available mineral waters, excluding the parameter "Hardness" for which the data published by the magazine Altroconsumo was used (no. 184, July-August 2005). The data on the drinking water refer to the average values of 18,363 analyses carried out according to the frequency and withdrawal points on the distribution network set forth in the control and monitoring plan for the water system.

The assessments of the quality of drinking water distributed, as compared to the quality of mineral water, are carried out based on the analytic parameters which are commonly surveyed at the representative sampling points of the water networks: pH, hardness, dry solids at 180°C, sodium, fluoride, nitrite and chlorides. The parameters chosen to measure the quality of water distributed refer primarily to the importance of distributing drinking water that contains a suitable amount of mineral salts.

It is confirmed that once again in 2014 the average values for Hera water are comparable with those of commercial mineral waters and that **no dispensation** from compliance of the limits set forth in Legislative Decree no. 31/2001 **were granted**. The quality characteristics of the water distributed in the areas managed by Hera are unchanged compared to last year.

If we consider several significant parameters in terms of assessing water quality (aluminium, cadmium, chlorites, escherichia coli, iron, manganese, nitrates, lead and trihalomethanes-total), in 2014 a total of **46,095 analyses were performed**. Of these, **99.7% gave a result in compliance with the legal limit**, showing essentially stable quality with respect to the previous year. In cases where even one parameter does not fall within non-compliant levels, Hera **immediately carries out interventions to return to compliant levels** (washing of pipes, controlling disinfection, etc.) also based on the indications of the Local Health Authorities. For hygienic, health and public safety reasons, the Municipality may issue an ordinance declaring that the water is not drinkable during specific periods of time. In these cases, it may be prohibited to use water for cooking and drinking, or particular precautions will need to be adopted (e.g., boiling), while as a rule the water can continue to be used for all other purposes.

During 2014, 3 ordinances referring to unsuitable drinking water were issued (same number as in 2013) and involved around 2,200 users but with a significantly lower average duration compared to 2013. More specifically:

- one ordinance regarded the Province of Bologna, specifically the district of Quaderna in the municipality of Grizzana Morandi (350 users involved for 8 days);
- one ordinance involved the district of Moscaccia di Poggiolino in Castel di Casio (40 users for 14 days);
- the last ordinance regarded the Province of Rimini and involved the district of Ca' Nova and Campo Di Nicco in San Leo (15 citizens). This ordinance was issued on 16 December 2014 and is still in place; plant modifications are being carried out and are expected to be completed in around 6 months' time.

The concern over the presence of cement-asbestos pipes in the network led the company to carry out constant checks on the state of the pipes through a plan of controls to test for asbestos fibres in the water. The use of asbestos, a common practice in construction and in other industrial sectors up to the end of the 1980s, was definitively banned in 1992. While it has been recognised that the inhalation of asbestos fibres causes serious respiratory illnesses, there is no evidence of toxicity linked to the ingestion of asbestos. In fact, the current law in force regarding the quality of water destined for human consumption (Legislative Decree no. 31/2001) does not set limits regarding the presence of asbestos fibres: in particular, the ministerial decree of 14 May 1996, annex 3, cites a WHO (World Health Organisation) document which states that "... there is no serious evidence that the ingestion of asbestos is hazardous to health". In 4 cases out of a total of 154 controls performed during 2014 in the local areas served in Emilia-Romagna, the presence of asbestos fibres was confirmed. The number of fibres found was on average 200 times below the limit of 7,000,000 fibres/litre indicated by the EPA (US Environmental Protection Agency). In most cases, the water distributed by Hera has generally non-aggressive characteristics with respect to the cement framework.

Service safety and continuity

Energy, gas and water served to millions of customers within a safety monitoring system

Electricity service safety and continuity

In 2014, the electricity distribution grids managed by Hera S.p.A. served approximately **259,000 users** in twenty-four municipalities of the Emilia-Romagna region within the provinces of Bologna, Modena and Ravenna, in addition to around 164,000 users served in the Trieste and Gorizia area. Approximately 2,131 GWh of electricity were distributed.

The total length of the electricity grids managed by Hera in Emilia Romagna amounts to 10,109 kilometres, 73.3% of which in low voltage, 26.4% in medium voltage, and 0.3% in high voltage. 41.5% of the lines are underground, and the rest are overground lines. Following work carried out throughout 2014, the extension of the low and medium voltage distribution grid increased by 0.6% compared to 2013. The high voltage grid remained practically unchanged.

The physical and administrative losses recorded in the distribution grid stood at 2.9%. No accidents involving citizens occurred in relation to the electricity grids managed by Hera in 2014.

In 2014, supplies relative to electricity grid management and maintenance activities involved 6,690 days of work for activities related to new plants that were installed and grid maintenance. When suppliers sign the agreement, they are requested to train and inform their personnel on the specific risks that could arise when work is being carried out and on the protection and prevention measures to

be implemented, and to provide their personnel with the proper clothing and safety equipment for the activities they perform. The company has a procedure which specifies the criteria for identifying roles and responsibilities for emergencies, and defines general emergency management rules and procedures.

With regard to network losses, during 2014 Hera completed the project on the analysis of network losses by providing AEEGSI and Milan Polytechnic with data on the calculations regarding the equalisation of the network losses according to Resolution 559/2012/eel which establishes the conventional percentage factors regarding the loss of electricity to be applied to medium and low voltage electricity.

The continuity of the distribution of electricity is regulated by AEEGSI provisions on the service quality of distribution, measurement and sales of electricity for the regulatory period 2012-2015, approved by ARG/elt resolution no. 198/2011.

This text also identifies the **indicators for measuring** outages, the **monitoring systems** and the **standards of reference**.

The indicators related to outages originating on the medium and low voltage grids regard:

- the total annual duration of long outages without advance notice for low voltage customers;
- the total annual number of long and short outages without advance notice for low voltage customers.

With regard to the regulatory period 2012-2015, Hera has approved the reduction of outages originating from the medium and low voltage grids attributable to external causes; the above indicators, therefore, are calculated inclusive of external causes. Objective levels and trend levels related to these indicators have been set by the AEEGSI for each local area served by Hera.

Continuity of the electricity service

	2012	2013	2014
Average number of outages per customer in high concentration areas (2014 tendential level 1.20)	0.94	0.60	1.10
Duration of outages (minutes) per customer in high concentration areas (2014 tendential level 28.00)	8.40	8.16	11.86
Average number of outages per customer in medium concentration areas (2014 tendential level 2.25)	2.64	2.60	2.33
Duration of outages (minutes) per customer in medium concentration areas (2014 tendential level 45.00)	20.82	30.55	29.23
Average number of outages per customer in low concentration areas (2014 tendential level 4.92)	4.27	5.82	4.55
Duration of outages (minutes) per customer in low concentration areas (2014 tendential level 68.00)	47.73	75.44	48.18

The average figure refers to outages for low voltage service, without advance notice and due to causes that are the responsibility of the operator. The outage duration minutes refer to outages lasting more than 3 minutes. The 2014 tendential level is the indicator objective for the two-year period 2013-2014. The tendential level for the number of outages in low concentration areas is 4.30 for Imola-Faenza and 5.08 for Modena; 2013 values are 2.58 for Imola-Faenza and 5.06 for Modena.

Improved data on the continuity of the electricity service for customers in low and medium concentration areas were recorded in 2014 compared to 2013. Even the

average number and duration of outages were below the indicated tendential levels, except for the average number of outages that was slightly higher than the tendential level and influenced by the performance of the Modena area. A worsening may be seen for customers in high concentration areas compared to 2013, in compliance in any case with the tendential levels assigned. In the areas of Trieste and Gorizia, the continuity data for customers in high concentration areas complied with all predetermined tendential levels.

In 2013, Group outages were 38% lower than the national average as regards duration and 39% lower in number (source: AEEGSI Annual Report).

With a view to reducing the number of outages and electricity suggestions on the Group's plants, the project for the **installation of Petersen coils** continued. The long-term plan for the installation of automatic devices in the medium-voltage grid **secondary stations** capable of cutting off the fault current along the line also continued, involving the lowest number of users possible. In December 2013, Petersen coils were installed in the main station of Vignola and automatic devices were installed in 6 medium-voltage lines in the Modena area.

Interventions will continue to be carried out in 2015 in the main stations and on the electricity grids in order to improve the continuity and reliability of the electricity distribution service.

In 2013, AEEGSI resolution 547/2014/R/ee awarded an **overall incentive to Hera related to the continuity recoveries of the electricity distribution service equal to around Euro 646 thousand and penalties for around Euro 279 thousand** were deferred to the following two years. Within 30 November 2015, on the basis of the data provided in compliance with paragraph 16.1 (ARG/elt 198/11), the Authority will check and publish, for each local area, the service continuity recoveries obtained by the distributing companies during 2014. AcegasApsAmga also takes part in the incentive and penalty system for continuity recoveries related to the electricity distribution service: **in 2013 an overall incentive of Euro 257 thousand was obtained.**

The number of requests for active connections to the Hera S.p.A. managed distribution network remarkably increased between 2007 and 2012, increasing from 83 in 2007 to 1,559 in 2012. In 2014, the expectations envisaged with the conclusion of **the incentivisation mechanisms of renewable sources** were confirmed, falling by around 40% with respect to 2013 results (571 requests in 2014 against 953 in 2013). The **total input power** requested for the connection of production plants was **8,529 kW**, a significant drop compared to 45,320 kW in 2012 and 16,564 in 2013.

Gas distribution service safety and continuity

The Hera Group manages the gas distribution service with the objective of ensuring high safety and service continuity levels.

Recent Resolution 574/2013/R/Gas raised the gas service security standards further and did not take the Group unawares which continued - as it has done over the past several years - to lead the activities of gas distribution security and continuity to levels of excellence. More specifically, the above resolution introduced more stringent obligations on the inspection of networks, odorisation and incentives to upgrade the odorisation systems.

Since 2009, Hera S.p.A. has participated in the system providing incentives for safety improvements in the gas distribution service, defined by AEEGSI. Compliance with the requirements allowed Hera to participate voluntarily in 2009, while Hera has been required to participate in the system since 2010, which assesses three elements:

- compliance with **service obligations**, **lack of gas accidents** due to the responsibility of the operator, **lack of breaches** on this topic linked to AEEGSI controls or inspections;

- number of measurements of the **level of gas odorisation** carried out compared to the regulatory minimum;
- number of conventional **leaks** reported by third parties (two year moving average) compared to the objective set by AEEGSI for the same period.

In 2012, a penalty of around Euro 151 thousand was recorded as provided by Resolution 497/2014/R/gas, referring to the provincial areas of Forlì-Cesena, Ravenna and Rimini. No results were deliberated for the provincial areas of Bologna, Ferrara and Modena pending the outcome of the investigations on the effects of the Emilia earthquake on leaks. More specifically, Hera achieved positive results for the gas odorisation component in all provinces managed while the component regarding leaks reported by third parties was negative in all 3 provinces. AEEGSI has not made the results of 2013 official yet. Furthermore, due to delays in the post-earthquake analyses by AEEGSI offices in the 3 provinces concerned, it was not possible to identify the tendential leak levels necessary to set the objectives for 2014 and subsequent years. For Hera S.p.A., incentives amounting to around Euro 760 thousand are in any case expected in 2014 by virtue of resolution 574/2013 that has determined new objective levels based on historical series of data relating to the previous 3 years, and of the incisive leak search plan which significantly reduced the number of leaks reported by third parties.

Gas emergency services

	2012	2013	2014
Average arrival time at the call location (min.)	31.8	34.1	35.6
Calls with arrival time at the call location within 60 minutes (%) (service obligation 90%)	98.7%	98.7%	98.3%

The positive results of the safety and continuity indicators were confirmed, with Hera stably remaining above the levels set by the AEEGSI.

In 2014, for **98.3% of the 22,310 calls received**, Hera intervened **within 60 minutes**, compared to the minimum service obligation required by AEEGSI of 90%.

The number of total calls dropped compared to 2013. One of the possible reasons could be the excellent results achieved with the gas leak search which made the emergency requests by third parties and final customers decline.

Improvement actions are envisaged for 2015 regarding the planned leak search on plants above ground and on meters.

Inspections and leaks in the gas network

	2012	2013	2014
Percentage of total high and medium pressure network inspected (min. service obligation 30%)	71.8%	68.7%	56.3%
Percentage of total low pressure network inspected (min. service obligation 20%)	75.1%	80.9%	63.2%
Number of leaks on distribution network located upon inspection per kilometre of network	0.063	0.079	0.099
Number of leaks on distribution network located upon notification by third parties, per kilometre of network	0.070	0.074	0.055

The percentage of the grid inspected was significantly higher than the minimum standard required by AEEGSI in 2014 also (30% for high and medium pressure and 20% for low pressure). At Group level, the high and medium pressure grid inspected reached 56.3% and the low pressure grid 63.2%.

2014 was the first year in which the **new criteria for the planning and execution of gas network inspections** were applied, with the objective of increasing inspection effectiveness in implementation of Resolution AEEGSI 574/2013. The general criteria involve an annual inspection of the entire high pressure network and of the medium and low pressure network if classified as having a high probability of leaks. In 2014, 100% of the high pressure network and 99.7% of the medium and low pressure network was inspected. The network, identified on the basis of a historical data analysis related to leaks and to an accurate mapping of the hydrogeological risk of each area in which the network is located, is equal to 1,308 kilometres, i.e. 10% of the medium and low voltage network managed by Hera S.p.A. In the remaining cases, inspection is carried out every three years. Furthermore, beginning in 2014, gas network inspections are **carried out entirely by internal personnel** thus ensuring high quality standards for the service.

In 2014, there were 55 leaks on the Group's gas distribution network following notification by third parties, per thousand kilometres of network, compared to 74 recorded in 2013. Conversely, there were 99 leaks on the Group's distribution network identified by means of inspections, per thousand kilometres of network, compared to 79 recorded in 2013, thus highlighting in 2014 the greater efficacy of the leak search activities carried out by company personnel; the increase is stronger for Hera S.p.A. inspections that move from 75 in 2013 to 132 in 2014.

The planned leak search campaign will be improved in 2015 by using advanced cartographic applications with a view to further reducing the number of leaks reported by third parties.

The technical call centre

Receiving and diagnosing the telephone calls made to the toll-free emergency service numbers is of key importance, should the calls turn into an actual report of irregularity in the service provided.

The technical call center service has **toll-free numbers** for every services (gas service, integrated water service and for district heating), and one dedicated to Public administrators.

Percentage of calls received by the technical call center answered (within or after 120 seconds) or abandoned within 120 seconds

	2012	2013	2014
Gas	99.1%	99.7%	99.2%
Other services (water and district heating)	88.2%	95.6%	96.1%
Total	91.0%	96.7%	97.0%
<i>of which for gas emergencies (general level 90%)</i>	92.5%	96.4%	96.5%

Excluding AcegasApsAmga and Marche Multiservizi.

The percentage of emergency gas calls is calculated according to criteria defined by AEEGSI, considering the calls received, answered or abandoned within 120 seconds.

Average waiting times at the technical call center

sec	2013	2014
Gas	14.0	18.0
Other services (water and district heating)	34.0	35.0
Number of calls	181,938	171,197
<i>of which for the gas emergency service</i>	<i>51,138</i>	<i>45,039</i>
<i>of which for other emergency services</i>	<i>130,800</i>	<i>126,158</i>

Excluding AcegasApsAmga and Marche Multiservizi.

In 2014, the calls made to the technical centre of Forlì decreased by 6%, on a like for like basis, compared to 2013.

96.5% of calls made to the gas emergency service were responded to (or were abandoned) within 120 seconds (compared to a general level of 90% established by AEEGSI). The objective for 2015 is to guarantee that calls made to the gas emergency service from areas served by Hera SpA and by AcegasApsAmga will be answered within 120 seconds.

2014 was characterised by the **integration of the areas belonging to the provinces of Padova, Trieste, Udine and Gorizia**. The integration of the services of the technical call center for the Udine and Gorizia areas and the remote control of the gas networks and plants of Udine were integrated in April. The scope of the technical call center was completed in July, thus enabling emergency calls to be responded in the Padova and Trieste areas, for an expected increase in the number of calls (on a yearly basis) equal to around 47,000. At the end of the year, integration of all the gas networks and plants also for Gorizia, Padova and Trieste was completed. The project will finish in spring 2015 with integration of the remote control of water cycle plants in the Padova and Trieste areas.

Safety downstream of the meter

AEEGSI resolution 40/2014/R/gas fully updated resolution no. 40 of 2004. Starting from 1 July 2014, the obligation to inspect the safety of gas plants, previously in force only for new user plants, has also been extended to modified plants (with suspended or disconnected supply). The scope of application still regards user plants with non-technological use of gas (e.g.: domestic use, boilers for heating, etc...).

The safety inspection data referring to the final 9 months of application of Resolution no. 40 of 2014 (from October 2013 to June 2014) regarding inspection of new user plants only, show that 4,404 user plants were activated after verifying the accuracy and completeness of the documentation envisaged by law. This figure dropped further compared to the previous thermal year (6,759 plants activated in 12 months) due to the lower number of requests to activate the supply for new domestic gas plants mainly attributable to the unfavourable economic trend and to the severe crisis in the building sector.

On activating gas supply, Hera carries out another check which is fundamental for safety: inspection of the effective hold of the user plant (post-meter) to verify the absence of gas leaks from the customer's plant before final activation.

Also in case of a fault downstream of the metre, when the Hera emergency services locate a gas leak in the plant of an end customer, it immediately suspends supply in order to eliminate the dangerous situation. The supply is then reactivated only after a qualified installer fixes the plant so that it no longer leaks and issues the relative technical documentation proving the leak-tightness of the user's plant (Resolution AEEGSI 574/2013/R/gas).

Pursuant to new AEEGSI resolution 191/2013/R/GAS of 9 May 2013, the **new insurance for accidents caused by gas leaks** has been in force since 1 January

2014. Domestic consumers can benefit from new services which can be requested following **accidents or damage caused by using gas** supplied by a distribution network. The policy, information documents and complete information are available on the Italian Gas Committee website (www.cig.it) in the specific “Insurance” section.

Continuity of the integrated water services

The water network control activity index is expressed as a percentage of the network inspected for leaks.

On the whole, in 2014 over 7,200 kilometres of network were inspected by the Group, comprising 21.0% of the total water network. This percentage has grown compared to 2013 (17.3%). AcegasApsAmga on its own inspected 2,450 kilometres (corresponding to 82.7% of its total amount), while Marche Multiservizi inspected 449 kilometres (10% of the total network) in 2014.

Continuity of the integrated water services

	2012	2013	2014
Percentage of network subject to active search for losses	15.3%	17.2%	21.0%
Number of breaks in water system pipes and tanks per km of network	1.63	1.02	0.98

Excluding AcegasApsAmga and Marche Multiservizi.

The index of the status of the water network is expressed as the number of breakages per kilometre of network and decreased by 4% for Hera S.p.A. compared to 2013; this improvement was registered in Bologna, Forlì-Cesena and Ferrara. It is pointed out the 2012 figure was as a consequence of exceptional events: especially weather conditions (long and severe freezing in February) and, to a lesser degree, the seismic events of May.

Information security

All of the QSE commitments taken by Hera, which are directly connected to the principle of local and sustainable development, focus on safeguarding its information assets that represent one of the most critical elements of the company. For this reason, they must be managed by paying utmost attention to information security, in terms of confidentiality, integrity and availability.

Hera guarantees the protection of its corporate information through:

- an information security management system, based on the ISO 27001 model;
- a company Department responsible for supervising logical security;
- annual assessment of information security risks; a specifically coded procedure is used that is shared with Top Management and the Risk Committee;
- definition of an intervention plan for containing risks, in line with the objectives defined by the Risk Committee and with the Business Plan;
- periodical technical checks on security vulnerability in the IT systems and networks;

Significant security-related projects in 2014 include:

- applying special techniques and methods to test security vulnerability in IT infrastructures dedicated to the remote control of treatment plants, material and energy recovery plants and waste disposal plants (in relation to changes in the external scenario featuring a strong increase in criminal conduct towards plant control systems);
- studying and identifying the security requirements for adopting IT solutions and Cloud Computing services in support of the corporate business;

- updating the Security Policies, in order implement the requirements on the use of mobile devices and Cloud-based services.

Customer relations

The contact channels with customers comply with the requisites of simplicity, speed, completeness and transparency

The Group's attention towards further improving its contact channels so as to make final customer management more efficient, simpler and quicker continued in 2014: the call centre for residential customers, the call center for business customers, branches, the Web and mail.

Contact channels with customers

(%)	2012	2013	2014
Branches	27.6%	29.2%	29.1%
Call center	56.6%	54.4%	53.4%
Mail	5.2%	5.2%	5.6%
Web	10.6%	11.2%	11.9%
Total	100.0%	100.0%	100.0%

Excluding AcegasApsAmga and Marche Multiservizi.

Also in 2014, contact from customers increased by 11% compared to 2013, with 17% growth in the web channel and 10% in the branches. The 2014 percentage is similar to the previous year: the **call centre** is still the prevalent channel (53.5%), followed by **branches** (29.1%), the **web** channel (11.9%) and **mail** (5.6%).

The call center

In 2014, a total of **2,190,000** calls were received at the Hera S.p.A. call center, rising by above 4% compared to the previous year.

Call center quality

	2012	2013	2014
Average waiting times at the call center for residential customers (sec.)	39.9	49.0	40.0
Calls with satisfactory outcomes for residential customers (%)	93.1%	91.4%	93.9%
Number of residential customer contacts at the call center (thous.)	1,561	1,716	1,779
Average waiting times at the call center for business customers (sec.)	24.7	30.7	31.0
Calls with satisfactory outcomes for business customers (%)	95.1%	94.7%	95.6%
Number of business customer contacts at the call center (thous.)	373	393	411

The average waiting time based on a telephone call by a customer that wishes to speak to an operator is the time between the moment the request is made for conversation with an operator and the beginning of the conversation. It does not take into account the initial information provided by the answer phone. Excluding AcegasApsamga and Marche Multiservizi.

The average response time was for residential customers dropped to **40 seconds** in 2014 (49 in 2013). The average response time for businesses was stable, settling at **31 seconds**. This trend is even more positive considering the around 4% increase in calls.

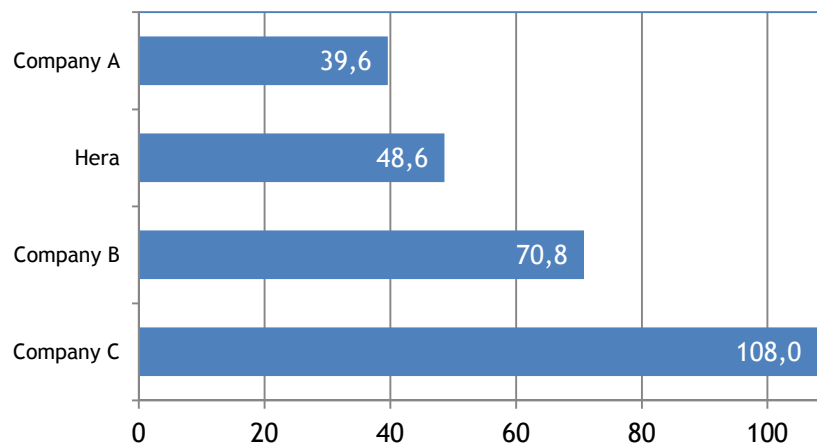
Even the call centers managed by AcegasAps Service, a subsidiary of AcegasApsAmga, achieved excellent results in 2014: average response time was 44.9 seconds, compared to 55 seconds in 2013, recording an above 28% increase in the total contacts compared to the previous year.

Calculating the waiting time according to the method established by the AEEGSI (which also considers the automatic answering machine), the Hera call centre had a performance of **94 seconds for households and 75 seconds for business customers** in 2014: both values are significantly below the 240-second objective set by AEEGSI. The waiting time for AcegasApsAmga call centers was 75 seconds.

Waiting time at the call centers of the main Italian utility companies

According to a comparative analysis carried out among the main Italian utility companies by Federutility-Utilitatis, the average waiting time at Hera's call center is 40% lower than the average of the 11 companies considered (equal to 80 seconds). Considering only the 4 multi-utility companies included in the research, Hera is in second place.

Call centre waiting time, seconds (2013)



The 2014 quarterly rolling survey on customers that contacted the call center revealed an improvement in all quality indicators (waiting time, easy access to the service and call management), especially those regarding **problem solving**.

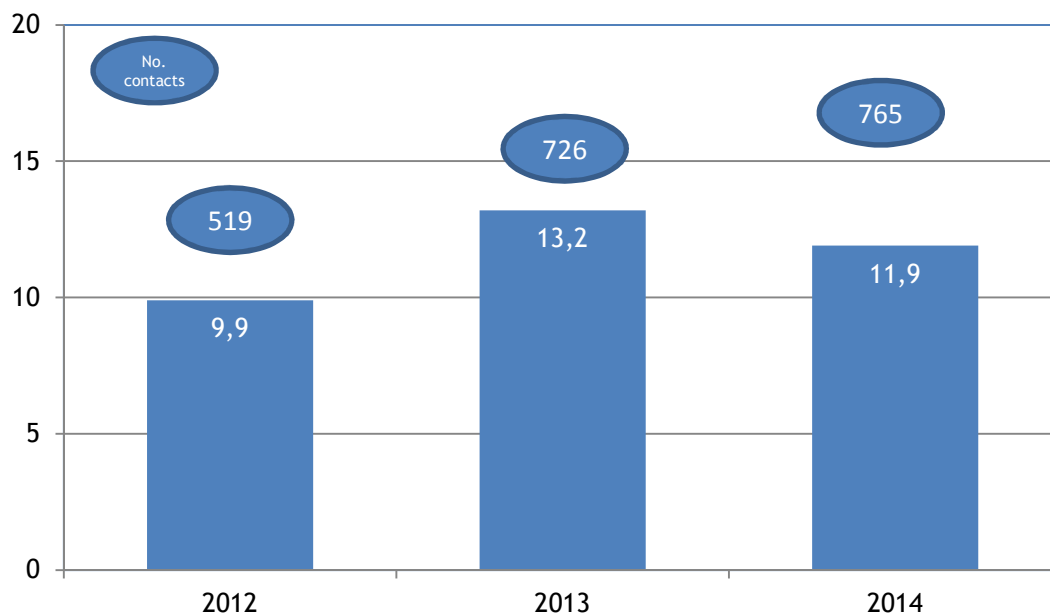
In 2014, the method for managing customer requests that cannot be handled online but need to be contacted for further details (calls are made by the end of the following day) was reviewed. The project regarding the proactive handling of commercial campaigns was also started; in 2014, it focused on the direct debit and electronic mailing of bills. Furthermore, during 2014, call center operators were involved in several training courses on effective communication focusing specifically on managing critical cases; the course will continue during 2015.

Significant technological investments were made during 2014, allowing integration between the switchboard and the Custom Relation Manager (CRM) system. Great advantages were achieved both in terms of optimising telephone traffic and of customer management and contact visibility. The project reduced the average conversation time between operators and customers.

Branches

Excluding AcegasApsAmga and Marche Multiservizi, in 2014 the use of branches increased by 5% compared to the previous year, reaching 740 thousand contacts.

Average waiting times at branches



Average waiting times at branches

Min.	2012	2013	2014
Hera	9.9	11.8	11.1
AcegasApsAmga	-	22.6	17.7
Marche Multiservizi	-	11.3	9.4
Weighted average	9.9	13.2	11.9
Number of contacts	685,216	726,876	765,059

Despite the increasing inflows, branch performances increased compared to the objectives set for 2014, both for the branches managed by Hera S.p.A. and those by AcegasApsAmga: **11.1 minutes for Hera S.p.A.** (against an objective of 12.5 minutes) and **17.7 minutes for AcegasApsAmga** (objective 19 minutes). Even Marche Multiservizi improved its performance: **from 11.3 minutes in 2013 to 9.4 minutes in 2014**. The average waiting times at the branches of the **entire Group was 11.9 minutes** per customer, showing a marked improvement compared to 2013 (13.2 minutes).

The percentage of customers that waited more than 40 minutes was 4.6%, an improvement compared to the previous year (5.7%). The effects of these improvements may be seen in the customer satisfaction survey in respect of the branch quality perceived which received the highest level of customer satisfaction in 2014.

Hera confirms its choice once again in 2014 to invest in and develop its branch network, which is deemed strategic and distinctive with respect to its competitors. In 2014, after a contact point was closed in the area of Ferrara (Berra), five new contact points were opened: four in the area of Imola (Castelbolognese, Riolo Terme, Brisighella and Solarolo) and one in the area of Forlì (Forlimpopoli). The layout of the Branch of San Lazzaro di Savena and Castelfranco dell'Emilia was renovated during the year.

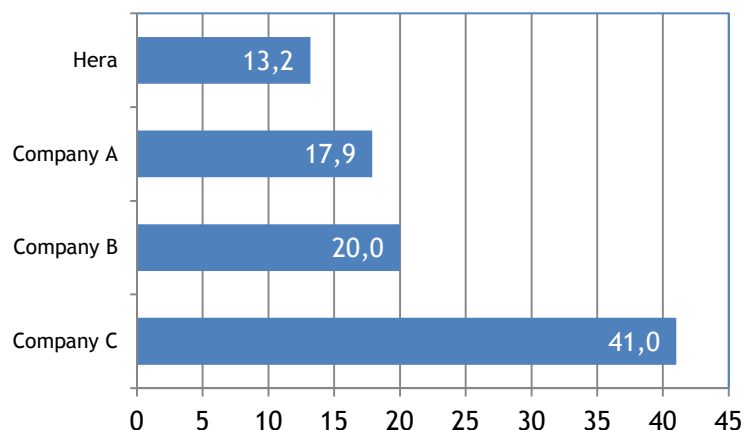
The number of branches in Emilia-Romagna rose from 74 in 2013 to 78 in 2014. Eight of these have opening hours set at 33 hours per week from Monday to Friday. Considering also the area served by the subsidiaries Marche Multiservizi and Hera Comm Marche and those managed by AcegasApsAmga, there are 124 branches overall.

The objective for 2015 is to confirm the average branch waiting times of 2014.

Waiting time at the branches of the main Italian utility companies

According to a comparative analysis carried out among the main Italian utility companies by Federutility-Utilitatis, the average waiting time at Hera's branches in 2013, is 39% lower than the average of the 11 companies considered (equal to 21.8 minutes). Considering only the 4 multi-utility companies included in the research, Hera is in first place.

Average branch waiting time, minutes (2013)



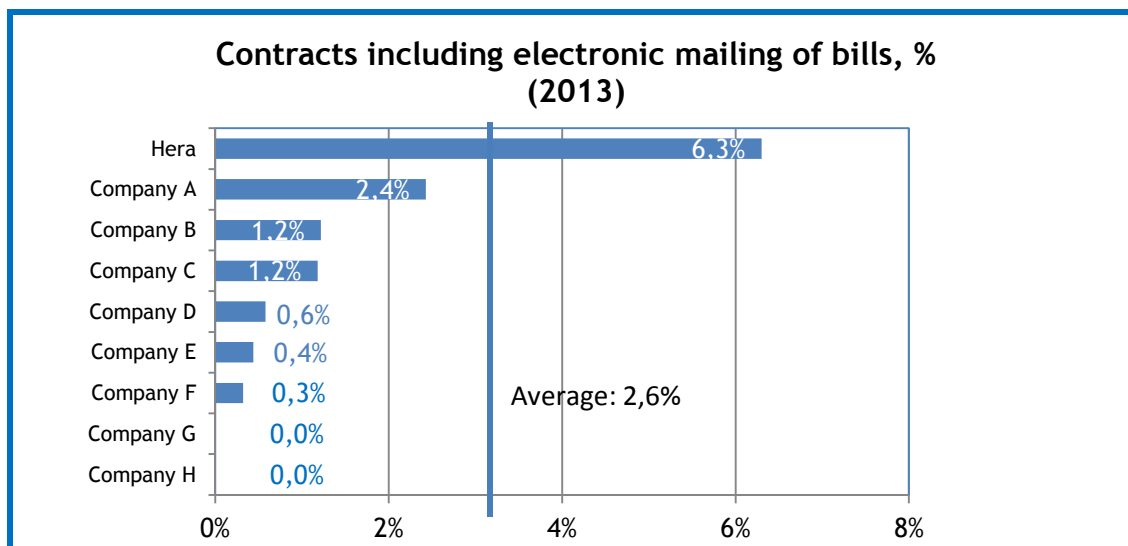
Online services

Thanks to the Hera on line services, the Group's customers may deal with several procedures regarding their contracts, in complete autonomy. Specifically, they can check and download copies of their bills, activate the electronic mailing of bills, check energy consumption trends, make reports and complaints, submit self-readings, check the progress of procedures and manage contract-related transactions that in the past could only be carried out at branches.

The number of customers that subscribed to the Hera On Line services **increased by 15%** compared to the previous year, reaching **220 thousand customers** and recording a service penetration percentage of around 15% out of the total customers. The service regarding the electronic mailing of bills further increased: **over 160 thousand customers** (+44.6% against 2013) subscribed to the service, confirming the success of the campaign "Get rid of bills. Give a tree to your city". The number of customers who self-read their water or gas meters at least once during the year increased; during 2014, over 380 thousand self-readings were carried out, rising by 16% compared to 2013.

Electronic mailing of bills

According to a comparative analysis carried out among the main Italian utility companies by Federutility-Utilitatis, Hera ranks first among the 9 companies considered for the percentage of contracts including electronic mailing of bills.



The new bill related to the services offered by the Group was launched in 2014. There are many new features. The bill is more transparent and is easier to read and understand because the information sheet and summary sheets of each service have a new layout and include graphs with the customer's patterns of consumption. Colours have been included to highlight the most important aspects. A new customer guide was also created together with the new bill, available in printed format (distributed through the branches) and on the web (accessible bill and interactivity with audio support, in the customer area of the Group's website).

Complaint management

2014 saw a further increase (+18%) in complaints compared to the previous year (4,802 more complaints) regarding mainly the waste management service (+59%), due to a sequence of regulatory changes in the payment terms and ownership of the collection service which created uncertainty among citizens.

Electricity-related complaints rose (+26%), while the increase was less significant for the gas service (+11.3%). A slight drop was recorded for the water service (-1.5%).

Despite the higher number of complaints, **average response times are below 15 calendar days, compared to 12 in 2013 and 16 in 2012**, and the percentage of complaints responded to within the standards is similar to 2013. Hera responded within 40 days in **93.4% of cases**, compared to an objective set at 95% which we wish to maintain for 2015.

Complaints received

	2012	2013	2014
Average complaint response time (days)	15.5	12.3	14.5
Percentage of complaints that were dealt with within the standard timeframe (%)	95.1%	93.3%	93.4%
Number of complaints received (no.)	20,640	27,260	32,062

Excluding AcegasApsAmga and Marche Multiservizi. The complaint response time is indicated in calendar days, with a reference standard of 40 days.

The analysis carried out on the complaints broken down by type, shows that, in general, the continuation of the economic crisis contributed to the general increase in consumer awareness of service prices: in 2014, **74% of the complaints were related to the bill**, up by 3 points compared to 2013. Around half of these regard advance payments and consumption, 25% are related to supply

activations or deactivations while the remaining part refers to **payment terms**. The breakdown is in line with the previous year.

Furthermore, complaints regarding **failure to meet deadlines** fell by 45%, mainly regarding reactivation after late payment, appointments with customers for estimates, terminations and disconnections, which fell from 2% to 1% of total complaints. This improvement was achieved thanks to the efforts undertaken.

The remaining 25% of complaints are represented by **heterogeneous categories** mainly attributable to repeated complaints and non-observance of the standards of the Services Charter.

During the second half of the year, an ex-post complaint classification system was implemented, which allows more accurate detailing of certain thematic areas and the highlighting of new and more specific improvement areas.

Based on an analysis carried out during the year, there appeared to be a significant number of cases in which customers, after receiving an answer to their complaint, submit the problem once again because they are not satisfied with the solution provided or because they would like clarifications on the response given. This matter was analysed, with a view to reducing conflict with customers and recognising their signs more promptly. Improvement areas related to first response management were highlighted and a preventive customer call model was set up to anticipate the solution and clarify its contents.

The main improvement focus for 2015 will be the **reduction of conflicts**. The data resulting from the ex-post classifications will be important because they will indicate further intervention areas. Measures to prevent so-called “repeated complaints” will be implemented: the most critical cases will be strictly monitored; if recognised in their initial stages and managed by a specialised structure, they can be resolved successfully.

Mediation

In July 2014, the new regulations for the joint mediation procedure became effective, which replaced the previous ones of 2009. The new regulations allow residential customers to use joint mediation for out-of-court settlement of disputes regarding not only the gas and electricity services but also the water service (excluding breakages of private plants and meters due to adverse weather conditions).

In 2014, 75 requests for mediation were received, 58 of which were accepted. 27 of these regarded the gas service, 14 the electricity service and 4 both services. After the entry into force of the new regulations, which extended the procedure to the integrated water service, 13 mediation procedures were also received regarding water supply.

Out of the 58 requests received, 12 were settled, 3 failed to be settled and 2 requests were withdrawn by the customer since the explanations provided during the settlement phase were considered exhaustive. The remaining cases are currently pending.

Regarding 17 requests which could not be accepted:

- 3 were submitted without a previous complaint;
- 3 regarded services excluded from the mediation regulations;
- 5 were submitted by customers that were not entitled to submit them;
- 6 lacked other requisites laid down in the regulations.

From 2010 to 2014, overall 261 requests were processed or are being processed, 130 of which were concluded through settlement (equal to 50% of requests received and accepted), 59 with failure to reach a settlement and 6 with a waiver of the request, as the problem had been solved in the meantime. The remaining 66 cases are currently pending.

AcegasApsAmga gas and electricity customers may avail themselves of joint mediation as envisaged by a specific protocol signed together with Consumer

Associations: in 2014, 7 requests for mediation were received. Only 1 was accepted and was still pending at the end of 2014.

Disputes with customers

At the close of 2014 there were 437 pending disputes with customers (223 of which initiated during the year) mainly regarding the application of the tariff regime for the services provided and the recovery of payments. Of these 223 disputes, 192 refer to the gas, electricity and district heating service, 24 to the water service and 5 to the waste management service. The increase in disputes with customers compared to 2013 mainly regards the energy sector (the disputes pending at year end rose from 265 to 330), especially objection to the protective system to which customers are assigned by the competent distributor, disputes regarding billing and complaints aimed at reactivating the supply of electricity or gas suspended due to late payment. In the water sector, instead, the disputes mainly regard objections by customers to injunctions.

Confidentiality

The oversight and dissemination of regulatory developments following the issue of new Provisions by the Antitrust Authority were strengthened during 2014. The impact of the provisions in operational terms within the Group was assessed.

In 2014, a methodology for performing centralised risk analysis on Hera S.p.A.'s personal data was defined and consolidated. Its experimentation in the field led to assessing acceptable levels of risk to which personal data are exposed with respect to integrity, confidentiality and availability parameters. In individual cases where some of the technical countermeasures provided for by the privacy code had not been fully implemented, a risk treatment plan was prepared.

Regarding Governance, the privacy appointing forms were fully reviewed and standardised, following corporate re-organisation, and the appointments in the agreements with subsidiaries were completed. These activities necessarily involved extensive tailoring of the forms for appointing suppliers, with specific characteristics and particular impact on the client, followed by detailed training of buyers.

With regard to monitoring system effectiveness, assessment check-lists were drawn up which may be used for base-line privacy for new acquisitions and self-assessments. Under the scope of the audit activities carried out during 2014, 7 audits were conducted that focused on managing data relating to the group's employees, special waste disposal customers and Hera S.p.A.'s TLC process. All the critical issues that emerged were analysed and taken in charge by the relevant departments.

Ongoing cooperation with Hera Comm's privacy oversight focused on topics that have a significant impact on privacy, such as managing marketing activities and call center problems (including foreign ones), drawing up information forms for receiving business consent, and solving queries on data access requests.

Customer satisfaction survey and other dialogue initiatives

Ongoing assessment of customer satisfaction is the starting point for high-quality services

The Hera group has surveyed its customers' satisfaction since 2005, as part of a strategy aimed at placing the customer at the heart of its services and at improving their quality. This year, the survey has an important new feature compared to last year. The number of telephone interviews more than doubled (over 7,000) and included all of the Hera and of the AcegasApsAmga (Padova and Trieste), Hera Comm Marche (Pesaro Urbino) and Amga (Udine) company areas. The result, therefore, is a concise representative indicator of the entire population of active customers for all the services provided by the Group.

Assessment of overall satisfaction of residential customers

CSI (from 0 to 100)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Service satisfaction index (Services CSI)	71	71	72	72	74	73	73	75	75
Overall satisfaction index (CSI)	67	65	67	69	69	70	69	70	69
Global satisfaction	70	68	70	73	71	72	71	72	72
Satisfaction with respect to expectations	66	63	66	68	68	69	68	68	67
Satisfaction with respect to the ideal	65	62	64	67	66	68	66	67	67

Excluding Marche Multiservizi and AcegasApsAmga in 2013.

The overall satisfaction index continues to be in the 69-70 band range, which is a high satisfaction level. Compared to the practically stable service level provided, the evaluations of customers' expectations continue to increase. An excellent level of satisfaction for the services provided was reached in 2014: 75 points.

Total residential customers, not differentiated according to the regulation of the market, reached an overall satisfaction score of 69. Apart from the waste management service which reached a score of 69, all the other services surpassed the 70 points threshold, revealing good satisfaction: gas reached 78 points, electricity 76 and water 74. The contact channels show a high level of customer satisfaction. Branches, call centers and online branches, with assessments reaching 75, 74 and 78, respectively, demonstrate the effectiveness of the internal procedures and the expertise of operators. Assessments of the sale channel, personnel and activation procedures for free market customers were also positive. Even the Group's image reached a score of 70. In 2014, therefore, each Hera Group company demonstrated good customer satisfaction levels.

The initiatives aimed at improving the ability to resolve the problems of customers that use contact channels continued throughout 2014 by monitoring and analysing cases with an insufficient satisfaction level. The freephone number for businesses continued to provide responses to issues regarding all the services provided by the Group both for the free market and protected market.

During 2015, the overall customer satisfaction index will be monitored for all group companies. Customer experience projects will also be developed to detect satisfaction towards other forms of contact between customers and the company (in addition to satisfaction for the service provided at branches and when calling the call center). The aim is to identify situations in which the service deviates more significantly from customers' expectations in order to set up improvement projects.

The methodology used for the customer satisfaction survey

The Customer Satisfaction survey is based on an internationally recognised methodology designed to assess the quality of services offered and customers' satisfaction with Hera overall. Approximately 7,000 telephone interviews were carried out to understand what customers think about the company. The survey was conducted by telephone via CATI (Computer Aided Telephone Interviews), which establishes shares to ensure that the individuals interviewed are representative of the sample in respect of all Group service customers. Monitoring was carried out by interviewing the main Hera contact within the household. The questionnaire, which lasts around 16 minutes, monitors the overall satisfaction components and measures future behaviour (word-of-mouth, loyalty, etc.) towards Hera. The assessments of the results are expressed in numerical scales:

under 50 points indicates insufficiency; up to 60, “minimal” satisfaction; between 60 and 70, a good level of satisfaction and above 70, high level of satisfaction.

In September 2014, the survey on the satisfaction of residential customers with the district heating service was carried out for the sixth year running.

The district heating service achieved an excellent score this year too, as in 2013: 72 points out of 100. The evaluations slightly improved for customers with a centralised plant (73) compared to those with an independent plant (71 points). Very positive evaluations were attributed to service reliability (80) and service benefits (80), as well as to payment convenience and frequency. Overall assessment of active services (electricity, water and waste management) continues to be excellent (70 points), while the overall CSI satisfaction index of customers who used district heating rose by one point compare to 2013, reaching a score of 67 out of 100.

The activity to improve and adjust the contracts entered into with customers continued in 2014 in order to make them more consistent with customers’ use requirements and allow the optimisation of annual expenses.

Assessment of the satisfaction of district heating customers

CSI (from 0 to 100)	2009	2010	2011	2012	2013	2014
Overall satisfaction index of the district heating service (district heating CSI)	72	75	75	73	72	72
Overall satisfaction index (CSI)	69	68	68	67	66	67
Global satisfaction	71	71	71	70	68	70
Satisfaction with respect to expectations	68	67	67	65	64	64
Satisfaction with respect to the ideal	68	65	66	66	63	65

Other dialogue and consultation initiatives

Consumer associations are provided with a dedicated channel to handle reports

The contact channel dedicated to **consumer associations** has been active since 2011: an entire section of the Group’s institutional website is entirely dedicated to the representatives of the main associations operating across the areas in which Hera is involved and which represent a key contact point for the company in its relations with final customers. The web channel enables the associations to set up an important liaison with Hera and to use it to handle reports and prevent disputes, thus reducing problem response and solving times.

In 2014, 881 cases were managed through this channel (790 in 2013), 92% of which were solved successfully with an average solving time of only 1.9 days. The web channel had 6,088 visitors and a total of 13,045 pages viewed.

In order to build positive relationships and create an increasingly open dialogue, Hera organised round tables with consumer association representatives and contact persons in 2014 also. A total of 17 meetings were held on topics in which the associations showed particular interest or in relation to which they requested clarifications and further details: indemnities and credit management, joint mediation, water leak fund, and special conditions and payment by instalments for customers facing financial hardships.

Particularly, in February 2014, meetings were held to present the new bill and explain how to read it. In November 2014, Hera sent the 18 consumer associations that signed the Joint Mediation Regulations to a training course for mediators: this

workshop was conceived as a detailed study and updating opportunity for people working in the sector, also in respect of applicable EU guidelines and regulations.

The 2015 objective is to continue to develop actions aimed at favouring dialogue and comparison with Associations and at listening to the requests of this important stakeholder.

Hera Group continues to strengthen its commitment to maintaining relationships with local **trade associations**. Ongoing negotiation with 75 trade associations continued in 2014, where cooperation was based on proposals capable of enhancing competences, innovation and company knowledge, with a view to favouring access to new opportunities, not only in the sector of energy services.

Some main initiatives made steps in this direction:

- various trade associations belonging to the Emilia Romagna area were involved in an important Hera Start Up project, intended to respond to the needs of young entrepreneurs by creating a commercial offer for energy, waste management and telecommunication services capable of supporting the creation of new companies throughout the local areas. The involvement of the associations was important to ensure widespread coverage and effectiveness in reaching local start-ups;
- the commitment by the business associations of Modena to promote the experimental electric mobility project in the municipality. Important economic parties joined the project promoted by Hera, by purchasing electric vehicles and using the specific business energy supply offer, thus encouraging the dissemination of an energy saving culture and the reduction of atmospheric emissions.
- the partnership called “Energia per noi”, between Hera Comm and CNA Bologna, seeking to further enhance and disseminate personal care services, reserved for private partners, pensioners and Association employees. By signing an energy supply contract, members receive shopping vouchers that can be used for goods or services provided by CNA and related companies.

Case studies for our customers

Our customers

The contribution of multi-utility companies to the competitiveness of the local areas

In 2014, Nomisma carried out a survey aimed at verifying to what extent the growth of local communities and the business fabric are influenced by the utilities that provide energy, waste management and telecommunication services. 104 companies were surveyed; 50 of these were Hera Group customers in the Modena, Bologna and Forlì-Cesena areas.

The results clearly show that the services provided by utilities contribute to the companies’ competitiveness, especially energy services. Regarding the latter, Hera Comm customers:

- show that all 4 factors contribute more significantly to competitiveness compared to the sample and to Emilia Romagna companies that are not Hera customers: guaranteeing supply, reduction of energy costs, transfer of know-how and partnership;
- recognise that the energy supplier provides a much higher level of support compared to the average for all roles indicated: search for new purchasing methods, promotion of partnerships in the development of plants, supply of know-how and the promotion of partnerships for other energy efficiency initiatives.

Regarding waste management services, the results show that companies are aware that having a sole operator for all waste management services is a strategic and

competitive priority. 60% of companies believe that it is also a strategic priority for the operator to be located in the area of reference. Furthermore:

- 3 out of 4 companies believe that industrial waste management has contributed to improving the company's competitiveness in terms of service reliability and for more than half of the companies in terms of ensuring certification for intended use;
- Among Herambiente's client companies, 1 out of 3 declares that the waste management services supplier contributed to developing new opportunities related to the disposal and recovery of materials (1 out of 5 - total sample).

Regarding telecommunication services, the results showed that:

- 66.7% of Emilia Romagna companies, which are Acantho customers, consider their area to be more competitive in terms of telematic infrastructures than non-client companies;
- The services that had the greater impact on the company's competitiveness are data transmission among several offices (81%), the Internet (76%) and datacentre services (75%). According to Acantho client companies, this contribution is even more evident with particular reference to the datacentre service (100%) and data transmission among several offices (100%).

The cost of our services

SOSstegno Hera, a saving guide for people facing financial hardships

SOSstegno Hera was published in December 2014. It is a handbook that contains information about the opportunities for reducing water and energy service costs for citizens who, even temporarily, are in difficult economic and/or physical conditions. The guide was conceived following a proposal by HeraLAB Ravenna, the multi-stakeholder committee set up by company to involve local communities.

The opportunity to strengthen information supporting the facilities for citizens also emerged from the fact-finding survey regarding the state of implementation of AEEGSI's regulation of February 2014 regarding the gas and electricity bonus. The survey pointed out that only 34% of users entitled to the electricity bonus and 27% of users entitled to the gas bonus actually used it. In Emilia Romagna, the situation is more favourable (around 55%) but certainly not excellent. The tool provided by the Group offers a complete overview of the measures provided for by the AEEGSI and by Atersir, supplemented by further initiatives adopted on a voluntary basis by the company in order to extend the category of people entitled to this sort of protection, for example the district heating bonus.

SOSstegno Hera also addresses problems regarding late payments of bills and insolvency; it provides clarifications on possible payment by instalments of the amounts due by the customer and explains how to apply for it.

Leak fund to protect customers from hidden water leaks

During 2014, Hera S.p.A. defined a single regulation across all of the areas served which establishes a "leak fund" to protect customers in the event of hidden water leaks along the system they own or downstream the meter. This voluntary instrument, already tested successfully in Ravenna and Rimini, allows partial coverage of bills of even very high amounts that are the consequence of accidental and unknown leaks along the customer's private network. With a yearly contribution of Euro 15 that are charged on the bill, customers who join the offer can obtain, in the event of water leaks, reimbursement of the entire amount referring to the volumes that exceed by 80% usual average consumption, up to a maximum of Euro 10,000.

Joining the fund is not compulsory and customers may withdraw at any time by way of a simple communication.

The entire amount set aside for the “leak fund” is made fully and exclusively available for covering the costs incurred by customers that have a water leak.

The per capita tariff rewards water savings and helps large households

The per capita tariff was set up by the former Regulatory Authorities of Bologna, Modena and Ravenna (limited to the municipality of Faenza) with the aim to incentivise water saving and help large households. With the per capita tariff, the bill is calculated taking into consideration the number of household members: the tariffs are favourable for low levels of consumption, while they are penalising for consumption exceeding the amount set for each person based on the savings objectives of the Water Protection Plan of the Emilia-Romagna Region (a base supply of 150 litres per day per inhabitant was set, i.e., 55 cubic metres per year). The per capita supply, as well as the consumption brackets, varies based on the number of family members, thereby facilitating large households which necessarily have a higher consumption.

The per capita tariff is applied only to domestic users and, in 2014, it was applied in 52 municipalities located in the provinces of Bologna (including Bologna), in 21 municipalities of Modena (including Modena) and in one municipality in the Province of Ravenna (Faenza). 40% of the population served by Hera resides in these municipalities.

Atersir, which took the place of the former Regulatory Authorities, encouraged the switch to the per capita tariff by submitting a specific request to the Municipalities that had not yet provided the details necessary for switching to this tariff.

By way of resolution no. 8/2015, AEEGSI started a procedure to define the tariff structure criteria applied to water service users, according to which the tariff structure systems and existing benefit systems will be harmonised within 2015.

New district heating offers: district heating is more convenient if you don't waste energy

Hera makes district heating even more convenient thanks to its new offers specifically studied to respond to the needs of local craft, industrial and civil (domestic and non-domestic) users affected by the current negative economic scenario and to promote the advantages of energy efficiency. Customers already connected to district heating as well as new customers who wish to connect may join these offers, which were launched in October 2014. This development is in line with EU guidelines, which recommend district heating as a tool to reduce greenhouse gas and to achieve the 20-20-20 targets. With the new commercial offers called “Scegli tu 60” and “Scegli tu 70”, for civil and industrial users, the price differs based on the temperature of supply, reduced to 60 and 70 degrees centigrade, respectively, compared to standard temperature which is around 80 degrees, with no variation in the comfort of indoor environments.

The “Scegli tu 70” option allows up to 10% discounts on the basic district heating price.

There is a 20% discount on the basic price of the “Scegli tu 60” offer. The offer may be activated with a plant heated up at 60 degrees and a modification to the existing connection is necessary.

Lastly, to help companies grow and strengthen in this difficult period of economic downturn, Hera offers a new “Industrial Price”: the offer includes a 26% discount compared to the standard tariff and has been specifically created for users that are entitled to reduced excise duties on gas.

Service quality

The multi-meter project: multi-service remote management solutions

By way of resolution 393/2013/R/gas, AEEGSI started testing “multi-service smart metering” solutions. The resolution defines the submission procedures and the selection criteria for pilot projects regarding the testing of multi-service smart metering. The project includes the remote management not only of gas service meters, but also of other public utility services as well as the incentive conditions applicable to the projects selected. The development and management of multi-service remote management systems will be carried out by “third operators” unrelated to the gas distributors involved in the projects. One year is estimated for the development phase and from one to two years for the operation phase. During this latter phase, the subjects performing the tests must send periodical reports to the Authority and disseminate the results achieved. The project presented by Hera deals with the testing of a multi-service communication infrastructure of over 13,000 remotely managed points and will be launched in the Modena area. All Hera-managed services are included: gas distribution service, water service, electricity distribution, district heating and waste management service. The role of third operator is carried out by Acantho.

Quality of drinking water

In good water: the report on drinking water quality and the label on the bill

“In good water” is the report that Hera has published since 2009 on the quality of drinking water and is the first example of thematic report published in Italy on the topic of tap water. The document aims to communicate the quality of the company’s drinking water in order to increase public confidence in a more aware and sustainable use of this resource.

The 2013 edition reached the objective set the previous year to extend the report to the local areas of AcegasApsAmga. Furthermore, the report was available in two formats. A summary version was prepared in the form of a leaflet that provides, on a map, all key information relating to the quality of drinking water in each single area served by the Hera Group. It also sets out in six short paragraphs all the key information necessary to become familiar with the water cycle and the activity carried out by Hera to ensure water quality. The complete version of the report drawn up with the Emilia-Romagna Region, Atersir, ARPA and other experts in drinking water issues is available on the group’s website in html and pdf format.

The tap water label has been available on Hera’s bill since 15 September 2012. Customers will find data (updated every 6 months) on the quality of the water distributed by Hera in their municipality directly on their bill. This service regards 165 municipalities in which Hera manages the water distribution service and includes the values of 13 water quality parameters compared with legally established limits (total alkalinity, ammonium, calcium, chlorides, pH, hardness, fluorides, magnesium, nitrates, nitrites, dry solids at 180°C, sodium and sulphates). Alongside the data, a message reminds customers that tap water is good, safe and better for the environment, and allows them to save Euro 300 per year. Regarding the municipalities served in the Padova and Trieste areas, the AcegasApsAmga website includes the water quality data, which are updated constantly.

At Hera, we drink tap water

The Hera20 project, which began in 2008, promotes the drinking of tap water by Hera employees. By drinking approximately 440,000 litres of tap water in 2014 thanks to the dispensers installed in the canteens and offices, Hera workers

avoided waste production: over 15 tons of plastic, corresponding to around 450 bins and almost 715,000 plastic bottles (0.50 litre bottles were taken into consideration for canteens and individual use, and 1.50 litre bottles for offices and meeting rooms). This virtuous behaviour allowed energy savings of approximately 45 tons of oil equivalent and fewer greenhouse gas emissions equal to 127 tons.

Water Houses and Urban Sources: 2014 a record year

Water Houses and Urban Sources are structures open to the public which supply chilled, natural or sparkling network water (exactly the same water that comes out of house taps) to citizens. Hera's commitment to developing the Water Houses and Urban Sources continued in 2014 with an increasing number of facilities located throughout the provinces of Bologna, Ferrara, Forlì-Cesena, Modena, Padova, Ravenna and Rimini, reaching a total number of 60. Almost 19 million litres were distributed in 2014, an average of 52 thousand litres per day.

The "Houses" and "Sources" also reached record numbers in terms of environmental sustainability: during 2014, a saving of 12 million 1.5 litre plastic bottles was achieved allowing an overall reduction of over 4,300 tons of CO₂ from 2010 to today and avoiding the production of 800 tons of plastic corresponding to around 32 thousand less bins to empty.

Choosing tap water has important economic significance for local area households. In 2014, this service led to a total yearly saving of around Euro 3.5 million, the amount that would have been spent by households if they had purchased the same quantity of mineral water.

Electricity service safety and continuity

Smart grid in Pavullo: the transmission grid of the future

At the end of 2013, Hera launched a smart-grid project together with Enel Distribuzione (Enel company that runs the distribution grid) in the area served by the main electricity station of Pavullo (Modena), which also includes Polinago, Montese, Zocca, Marano, Lama Mocogno and Sestola. The aim is to transform a "passive" electricity grid into an "active" one. This is one of the few experiments of this kind in Italy and, should it be successful, the technologies set up in the Modena Apennines will then be introduced on national scale. The first phase of the project, which will be realised at beginning 2015, focused on further automating the medium-voltage grid in order to achieve an improved selective action when detecting breakdowns. The second phase, set to start in summer 2015, will allow the plant to be better regulated through real-time checking of the grid conditions. This will enable the functioning parameters to be adjusted according to the conditions existing at the time and will increase the remote monitoring capabilities of the systems by better integrating distributed generation from renewable sources.

Lastly, in 2016, customers will be involved through the use of devices installed in homes in order to increase consumption awareness.

The decision to choose Pavullo was not random: this grid includes photovoltaic and hydroelectric plants that produce energy discontinuously. Furthermore, Enel is already familiar with the grid because it sold it to Hera in 2006.

A total of over 5 thousand users are involved in the project and the total investment from the end of 2013 to 2015 amounts to around Euro 1.8 million.

Extension of the Forlì technical call center to AcegasApsAmga

As part of the integration initiatives between AcegasApsAmga and Hera, an important result was achieved during 2014 thanks to the synergetic integration between the Remote Control Systems and the Technical Call Centres of both

companies. Specifically, as regards the Remote Control Systems, an integration project of all “fluid” (integrated water cycle and gas) remote control was started and practically completed by AcegasApsAmga in Hera’s remote control station in Forlì. The project involves around 450 peripheral plants spread across the 4 Triveneto areas (Padova, Udine, Gorizia and Trieste). In addition to optimising management of the process with regard to remote control unification, the project also implements an important activity regarding automation of the Padova and Trieste aqueduct plant, to the benefit of the operating safety of underlying water networks. In the gas sector, the project has been able in a very short time to unify the network management system across the four reference areas as well as to significantly extend the remote metering service to the cathodic protection system. With regard to electricity, the integration activities of the Trieste and Modena remote control networks are also being completed, which will fully ensure safe interoperability (disaster recovery) between the two centres, covering also the areas of Gorizia and Imola.

Regarding the Technical Call centers, the service for AcegasApsAmga’s business lines (energy and public lighting, gas and water) was unified by assigning gas and water services to Forlì and energy services to Trieste.

Customer relations

Hera Comm chooses transparency thanks to the Charter of Responsibility

Hera Comm’s Charter of Responsibility was published in October 2014. It is a voluntary tool that seeks to reduce the number of unrequested energy contracts and helps customers understand the energy market.

The Hera Group added further safeguards alongside those defined by AEEGSI. They are set out in the “Self-Regulation Protocol” included in the Charter of Responsibility. The main measures that were introduced by Hera Comm on a voluntary basis to greater protect customers are the following:

- sending a welcome letter to new customers not only if distance contracts and/or contracts outside the commercial premises have been entered into, but also for contracts concluded inside the commercial premises;
- sending a welcome letter also to non-domestic customers (already envisaged by law for electricity);
- extending the possibility to withdraw from the contract even if it has been entered into at branches and not by telephone or outside the commercial premises;
- extending the possibility to withdraw from the contract up until it is no longer possible to prevent supply activation, well beyond the 14 days envisaged by legislation;
- withdrawing from the contract by fax, e-mail or letter instead of registered mail.

In the event that the customer is involved in an unrequested contract and it is not possible to interrupt its activation, Hera Comm will pay a compensation of Euro 25.

After an experimental period of six months, the Consumer Associations that have joined the protocol may inform the company about any improvement actions that should be made to the document.

Extension of joint mediation to the water service for solving disputes

Few, clear rules to gather around a table and solve any misunderstandings between the company and its customers: this is the sense of joint mediation which the Hera Group has extended to the water service starting from 1 July 2014, thanks to the many years of experience gained in the gas and electricity sectors. The new mediation regulations were defined after consultation with main consumer associations (ACU, A.Di.Do., Adoc, Adusbef, Altroconsumo, Arco

Consumatori, Asso-Consum, Assoutenti, Casa del Consumatore, Cittadinanzattiva, Codacons, Codici, Confconsumatori, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento difesa del cittadino, and Unione Nazionale Consumatori) and will be also available on Hera's website. Mediation is a tool made available to private customers in order to solve issues that have been closed with a response deemed non-satisfactory by ordinary complaint management and that can only be solved in court.

100 thousand new bills = two thousand new trees

The great success of the campaign "Get rid of bills. Give a tree to your city", which promotes online bills in replacement of paper bills continued in 2014. 69 Municipalities of the local areas served in Emilia-Romagna subscribed to the campaign. Forty-four of them were awarded, for a total of 73 green areas in which 2,000 trees will be planted (1 every 50 subscriptions) corresponding to the final objective of 100,000 subscriptions.

The campaign started in November 2012 and was expected to finish by the end of 2016; however, the 100,000 subscriptions target was achieved two years earlier than envisaged. 570 trees have been planted in 19 Municipalities, leading to the creation of 20 green areas; 787 trees will be planted within spring 2015 in 22 Municipalities in 32 green areas and 643 trees will be planted by the end of the year in further 15 Municipalities, thus reaching a total number of 2,000 trees.

The campaign was very successful among citizens as confirmed by the results achieved in no less than 8 Municipalities which exceeded the 10% threshold of electronic bills. This is an important goal that is evidence of a widespread sensitivity that is capable of turning into practical gestures.

Planting trees does not only have a symbolic value: alongside having a positive impact on urban décor, 2,000 trees are able to absorb 200 tons of CO₂ every year, in addition to the annual 44 tons of CO₂ avoided by saving paper sheets (totalling 2,364,000 every year) and to the fact that the transport and disposal phases of paper bills are no longer needed with the online bill.

Subscription to the campaign allowed a 45% greater increase in the number of subscriptions to the online bill compared to 2013.

Given the great success of the initiative, the campaign will be relaunched in the Emilia Romagna area in 2015.

Workforce

The Hera Group had a workforce of 8,575 people as at 31 December. On average, 97% of workers have an open-ended contract. In the last 3 years, 333 people were hired on the basis of open-ended employment contracts.

Objectives and performance

What we said we would do	What we have done
<ul style="list-style-type: none"> Implement the 18 internal climate improvement actions defined on the basis of the results of the fifth survey carried out in 2013. Integrate the actions with specific interventions in AcegasAps. 	<ul style="list-style-type: none"> Of the 14 improvement actions planned, 13 were carried out (fully or for the part regarding 2014) and 1 is in-progress. In AcegasApsAmga, 10 improvement actions were carried out as envisaged after the internal climate survey.
<ul style="list-style-type: none"> SAP EHS project: start to use the prevention and protection module. 	<ul style="list-style-type: none"> The system design was completed in 2014. It is expected to be started in 2015.
<ul style="list-style-type: none"> Extend OHSAS 18001 certification to AcegasAps. 	<ul style="list-style-type: none"> The certification was obtained in July 2014.
<ul style="list-style-type: none"> Continue to spread the Leadership Model in AcegasApsAmga. 	<ul style="list-style-type: none"> The model was extended to AcegasApsAmga and four editions of the course were organised (78 participants).
<ul style="list-style-type: none"> Launch the Road Safety in the Company project 	<ul style="list-style-type: none"> The project was started and will continue in 2015. In 2014, an analysis was conducted on the existing systems and processes for managing road accidents and improvement areas were identified in technological, organisational and management areas.
<ul style="list-style-type: none"> DST project: install driver assistance systems in the waste collection vehicles in order to improve road safety. 	<ul style="list-style-type: none"> The driver assistance systems were installed in waste collection vehicles driven by single operators. Following installation, a 15% drop in maintenance for accidents was recorded.
<ul style="list-style-type: none"> Positive Return Policies project: extend crèches in local areas that are still without one and organise summer camps for employees' children; ensure continuity in the actions aimed at helping employees return to work after a period of leave (training/coaching). 	<ul style="list-style-type: none"> The children of Hera employees attended the summer camps for a total of 108 weeks. 36 kids in kindergarten. Upon their return to work, 35 people were involved in group or individual coaching. There was no extension of company crèches due to lack of requests.
<ul style="list-style-type: none"> Define a corporate welfare plan. 	<ul style="list-style-type: none"> An information gathering phase was carried out on a sample of 1,200 people as well as 10 focus groups which allowed us to identify the subsequent development priorities.
<ul style="list-style-type: none"> Spread the new Code of Ethics throughout the workforce and ensure continuity in the awareness-raising seminars «CSR policies and the Code of Ethics in day-to-day management». 	<ul style="list-style-type: none"> The Code of Ethics was distributed to the entire workforce, also in AcegasApsAmga areas. A second «CSR policies and the Code of Ethics in day-to-day management» seminar was organised during 2014 which involved 22 managers/middle managers, as well as an internal convention involving around 40 people.
<ul style="list-style-type: none"> HeraSolidale project: involve the workforce in solidarity initiatives for non-profit organisations in the local area. 	<ul style="list-style-type: none"> 744 workers joined the initiative and donated Euro 13,600 euro to the 9 non-profit organisations chosen.
We shall	Scope*

• Develop a Welfare Plan on the basis of the evidence collected during the information gathering phase.	H	A	
• Start training on the Code of Ethics (AlfabEtico) at AcegasApsAmga and continue organising seminars on CSR.	H	A	
• Expand the range of summer camps for employee's children. Continue to provide assistance to employees returning to work after a period of leave.	H	A	M
• Launch actions to optimise work time efficiency (use of emails, ppt and meetings)	H		
• Implement the first phase of the new professional development process involving employees, middle managers and managers.	H	A	M
• Extend the "Hera ti insegna un mestiere... a scuola" ("Hera teaches you a trade... at school") model.	H		
• Create an internal community regarding energy efficiency.	H		
• Continue with our safety initiatives, including road safety, and extend the DST project to AcegasApsAmga in order to improve safe driving.	H	A	
• Carry out the 6 th corporate climate survey: the objective is to reach 63 points over 100 and 66% participation.	H	A	M
• Involve employees in improving the Sustainability Report.	H	A	
• Update the House Organ by involving employees.	H	A	

* H: Hera; A: AcegasApsAmga; M: Marche Multiservizi

Workforce

On average 97.0% of Group company workers have an open-ended contract

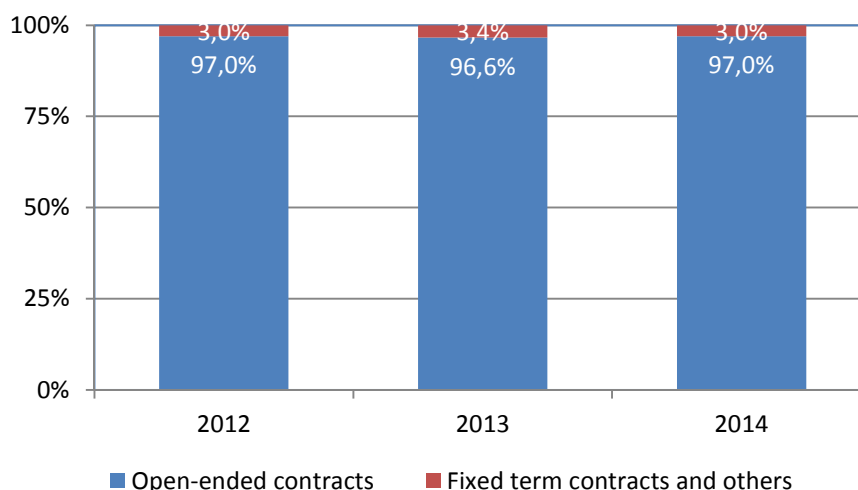
As at 31 December 2014, the total workers with open-ended contracts in Group companies amounted to 8,419, an increase of 200 compared to 2013. The changes in the scope regarded the entry in 2014 of Amga Multiservizi and its subsidiaries (298 individuals), of Herambiente Recupero (32 individuals) and Fucino Gas (2 individuals) for a total of 332 open-ended workers. A further corporate change in 2014 regarded the exit of Hera Socrem from the Group's scope of consolidation (-5 workers) and from the exit from the scope of the report of Enomondo and Estenergy (80 workers) in compliance with IFRS11. Considering these effects the workforce reduction is 47 units.

Staff figures at the end of the year

No.	2012	2013	2014
Managers	133	154	152
Middle managers	363	458	507
Employees	3,397	4,211	4,341
Workers	2,646	3,396	3,419
<i>Open-ended contract employees</i>	<i>6,539</i>	<i>8,219</i>	<i>8,419</i>
Fixed-term contract workers	50	75	91
Job training and entrance contracts, apprenticeships	40	53	30
<i>Fixed-term contract employees</i>	<i>90</i>	<i>128</i>	<i>121</i>
Staff leasing contracts	30	54	32
Project based contract workers	4	8	3
Total	6,663	8,409	8,575

Net of the changes in the company scope, the Group register an increase in managers and middle managers (58 individuals) that is caused by the entry of 81 individuals and 43 career promotions, balanced by 66 exits. The reduction in blue-collar workers (101 individuals) is caused by the move from the role of blue-collar worker to white-collar worker (totalling 47 workers), retirement and other exits (totalling 77 workers), partly offset by the entry of 23 blue-collar workers.

Workforce figures (average)



On average, 97.0% of Group workers have an open-ended contract.

Employees with fixed term contracts account for 2.3% of average workers, while the remaining 0.7% of workers were hired with other flexible arrangements (staff leasing contracts and project work).

We hereby reiterate the Group's will to limit the usage of flexible contracts to urgent situations only (seasonality, extraordinary and temporary work peaks, substitution of workers who are absent temporarily). However, the employees hired through flexible contracts provide a priority recruitment pool for hiring with open-ended contracts.

Regarding this aspect, it is pointed out that the average number of workers hired with staff leasing contracts and project work in 2014 was 64, 44% lower than 2013. Instead, due to the effect of new legislation on work contracts, the average number of workers with job training and entrance contracts dropped from 17 to 3.

Open-ended contract employees (breakdown by function)

No.	2012	2013	2014
Grid services	2,147	2,736	2,955
Waste Management Services	1,919	2,396	2,364
Other Services	586	790	758
Commercial	688	810	774
Coordination activities	1,199	1,487	1,568
Total	6,539	8,219	8,419

Of the workforce, 35% operated in grid services (gas, electricity, water service and district heating) and 28% operate in the waste management sector. 9% of the workforce are employed in the commercial structure and a further 9% in other services (information technology systems, fleet management, laboratories, public lighting). The 1% reduction in these categories is attributable to the aforementioned exit of Hera Socrem from the Group's scope. Coordination activities absorb 19% of the Group workforce.

Open-ended contract employees (breakdown by location of workplace)

No.	2012	2013	2014	% 2014
Bologna area	1,752	1,709	1,733	21%
Ferrara area	492	477	465	5%
Forlì-Cesena area	593	593	591	7%
Gorizia, Udine and Pordenone area		89	285	3%
Imola-Faenza area	642	660	653	8%
Modena area	1,061	1,059	1,039	12%
Padova area		803	752	9%
Ravenna area	668	654	641	8%
Rimini area	679	660	650	8%
Trieste area		833	811	10%
Marche Multiservizi area	600	595	590	7%
Other	52	87	209	2%
Total	6,539	8,219	8,419	100%

The increase in workers belonging to other areas is the result of the integration of Amga Multiservizi's, amounting to 87 workers.

Open-ended contract employees by educational qualification and position (2014)

No.	Managers	Middle managers	Employees	Workers	Total
Primary education	0	0	10	28	38
Junior secondary education	3	7	612	1,616	2,238
High school diploma	11	140	2,007	852	3,010
University degree	117	268	860	5	1,250
Total	131	415	3,489	2,501	6,536

Excluding AcegasApsAmga

The education level is stable compared to 2013 with the percentage of the workforce holding high school and university degrees at 65% and university graduates increased by 3.5%.

Average age and average seniority of employees with open-ended contracts by role (2014)

Years	Age	Years of service*
Managers	51.7	15.2
Middle managers	48.4	16.7
Employees	46.7	17.8
Workers	49.2	19.2
Total	47.9	18.2

* Excluding AcegasApsAmga

The average age of employees with open ended contracts is 47.9 (slightly higher than 2013 which recorded an age of 47.4). The average years of service of employees with open ended contracts, excluding AcegasApsAmga, is 18.2 years, constantly on the rise compared to the past three years.

Hours of absence and hours worked per capita (by type)

Hours	2012	2013	2014
Illness	59.1	59.3	61.0
Maternity/paternity and parental leave	15.1	12.5	11.6
Accidents	7.7	6.9	5.8
Strikes	3.3	2.9	1.4
Union meetings	1.4	1.0	1.2
Union leave	6.0	6.2	6.0
Other	38.4	36.2	33.8
Total absences (h)	131.0	125.0	120.7
Regular hours worked	1,533.1	1,515.8	1,536.4
Overtime hours worked	48.9	48.5	44.4
Total hours worked	1,582.0	1,564.3	1,580.8

The data refer to the following companies: Hera S.p.A., Marche Multiservizi, Famula on Line (until 2012), Uniflotte, Hera Comm, Hera Trading, Herambiente, FEA, Acantho, Hera Luce and include AcegasApsAmga S.p.A. from 2013.

The **hours of absence per capita** dropped by 3.5% compared to 2013, confirming the trend already experienced in 2012. The hours of absence due to accidents continued to fall (-16.8 compared to 2013), settling at values that have declined significantly (-58%) throughout the years (13.6 in 2007). The “Other” item in the table mainly refers to leave requested to assist family members with disabilities or illness, leave for medical check-ups and therapy, and leave for academic and electoral purposes.

Overtime hours continued to represent a reduced percentage of the total hours worked and the per capita average continued to decline, falling from 48.5 hours per capita in 2013 to 44.4. New indicators were developed as part of the SA8000 project. In addition to allowing in-depth monitoring of overtime in compliance with current legislation on working hours, they provide useful information with a view to improving working conditions.

Turnover

The personnel policy is to back up the process of integration of companies within Hera with a plan for **efficient use of the workforce** made available as a result of processes of internal rationalisation and further outsourcing of activities that generate low added value. Since the founding of the group and following acquisitions, Hera is engaged in a process of far-reaching corporate reorganisation with **no recourse to social shock absorber measures**.

New employees are generally hired for top-ranking professional positions (both specialised and operative), which are difficult to cover with internal personnel. Internal personnel is generally chosen for white-collar and blue-collar positions.

Personnel hired during the year (breakdown by position)

No.	2012	2013	2014
Managers	3	1	0
Middle managers	5	5	1
Employees	74	101	80
Workers	12	28	23
Open-ended contract employees	94	135	104
Fixed-term contract workers	89	86	169
Staff leasing contracts	38	114	101
Job training and entrance contracts	12	0	0
Project based and freelance contract workers	15	9	11
Seasonal workers and apprentices	1	13	3
Non open-ended contract employees	155	222	284

In 2014, 104 workers were hired with open-ended contracts, 46 of which concerned staff under 30 years of age. Over the past three years, overall **333 open-ended contract workers were hired**, 224 of which following initial hiring with the Group under a fixed-term contract. The use of staff leasing contract workers, which may be found mostly in AcegasApsAmga, is mainly related to the extension of door-to-door collection services.

In 2014, 41 female workers were hired with open-ended contracts (39% of the total) and 129 since 2012, totalling 39%. The percentage of newly hired female managers, middle managers and employees in 2014 was 49%.

Open-ended contract leaving by reason

No.	2012	2013	2014
Resignation	34	52	54
Retirement	86	43	44
Death	6	10	11
Dismissal	4	7	4
Inability	19	25	39
Transfer to other companies/deconsolidations	1	112	5
Total	150	249	156

In 2014, there were 156 cases of job leaving, 63% of which due to retirement and voluntary resignation and only 3% to variations in the scope of consolidation (exit from the Group of Hera Socrem).

Turnover rate for open-ended contract workers by role

%	2012	2013	2014
Managers	3.8%	3.2%	5.3%
Middle managers	1.9%	2.8%	1.0%
Employees	1.8%	2.7%	1.4%
Workers	2.9%	3.8%	2.3%
Average	2.3%	3.2%	1.8%

Turnover rate for open-ended contract workers by gender

%	2012	2013	2014
Men	2.6%	3.1%	2.0%
Women	1.3%	3.4%	1.3%
Average	2.3%	3.2%	1.8%

Turnover rate for open-ended contract workers by age

%	2012	2013	2014
Under 30 years of age	4.0%	6.6%	2.2%
Between 31 and 50 years of age	0.7%	2.4%	1.2%
Over 50 years of age	4.9%	4.1%	2.6%
Average	2.3%	3.2%	1.8%

The **turnover rate** is calculated by dividing the number of leaving employees by the number of employees at the end of the year.

The turnover rate was 1.8% in 2014. There is a slight decrease in female workers and in workers aged between 31 and 50 years of age compared to 2013.

Career progress during the year (breakdown by position)

No.	2012	2013	2014
Managers	11	4	4
Middle managers	20	24	40
Employees	428	376	476
Workers	226	191	280
Total	685	595	800

2012 and 2013 data do not include AcegasApsAmga and Marche Multiservizi.

There were 4 promotions from middle manager to manager in 2014. **Career progress involved 216 female personnel**, totalling 27% of all cases (the total percentage of female workers is 23%). Excluding blue-collar workers, where women are around 5%, career advancements involving female personnel represented 38% of the total.

Ad interim positions covered

No.	2012	2013	2014
Ad interim positions at the end of the year	14	15	14
Ad interim positions covered	8	3	7
<i>of which by internal personnel</i>	<i>1</i>	<i>3</i>	<i>7</i>

The 2013 figures do not include AcegasApsAmga.

In the company organisational chart, there are a number of organisational positions for which the manager has been assigned ad interim. Specific attention was focused on reducing the number of ad interim positions in the organisation, by promoting internal resources. With regard to the 15 ad interim or open positions for divisions and functions at the beginning of 2014, 7 positions were covered during the year, almost exclusively using internal personnel.

Internal mobility is a direct consequence of the complete activation of the reorganisation that the Group has been carrying out since it was formed. The objective of internal mobility is to create an opportunity for Hera employees to increase their knowledge and capacities transversally, while allowing them to continually place themselves in new contexts and develop richer and more complete work skills, while strengthening their sense of belonging to the Group. In

the course of 2014, a total of 89 infragroup transfers were made, mainly in the General Operations Division. Since July 2008, the **Corporate Intranet** has included a section dedicated to internal mobility, so employees can view announcements for open positions within the Group and apply for those positions. Since its creation, the dedicated page has received 628,784 visits, and there have been 228 announcements published and 130 positions filled; only in 2014, 84,369 visits were posted for the page, and there were 24 announcements published and 35 positions filled.

Diversity and equal opportunities

The new Group Code of Ethics, approved by the Hera S.p.A. Board of Directors on 23 January 2014, confirmed, also within this fundamental Group guidance document, the commitment to **equal opportunities**, development of a **work-life balance** and **enhancement of the value of diversity**.

In October 2009, Hera signed the Charter for equal opportunities and equality in the workplace promoted by, amongst others, the Sodalitas Foundation, Impronta Etica and the National Office of the Equality Councillor, with the participation of the Ministry of Labour and the Ministry of Equal Opportunity. The Charter contains 10 commitments contributing to the fight against all forms of discrimination in the workplace and the championing of diversity within the corporate organisation.

Furthermore, the Hera Group Diversity Manager was appointed in March 2011, in line with the commitments taken when joining the Charter for equal opportunities and equality in the workplace.

The main initiatives carried out in the last year include:

- the opportunity for the children of employees belonging to all of the Group's companies to attend **summer camps**, under particularly advantageous conditions, contributing to 50% of the subscription fee. This initiative was developed together with the company recreational associations through agreements with partners of the Emilia-Romagna area. The initiative was very successful: employees from 6 Hera Group companies (Hera S.p.A., Hera Comm, Herambiente, Uniflotte, AcegasApsAmga, Hera Luce) subscribed to the offer, for a total of 106 children, and an overall satisfaction score of 97.5%;
- setting up of **individual coaching or counselling**, for employees returning to work after a leave of at least 2 months for family care reasons;
- a **risk assessment process** related also to **differences** (for example, gender). The introduction by the legislator, by way of Italian Legislative Decree no. 81/2008, of the "gender difference" component in risk assessments and in the consequent preventive and protective measures is a significant innovation and important step forward. Since becoming a specific obligation, the need to enhance research and organisational solutions has increased. Starting from this need, a significant research-action activity was developed which showed that the individual protection devices are fully in keeping with rules provided by technical legislation and are appropriate for the tasks carried out by staff. An area that must be developed regards the adaptability of the individual protection devices to the person and their suitability to typical gender characteristics.

In the course of 2014, a wider and more structured project was launched regarding corporate welfare initiatives and services, directed towards achieving consistent logics and approaches targeting the entire Group.

The key element which was chosen to pave the way towards an integrated corporate welfare system was the **direct involvement** of employees in a preliminary information gathering phase, aimed at collecting and analysing awareness of the activities in progress (in the following areas: "Time, work-life balance and family", "Saving and sustainability", "Protection, health and well-being" and "Personal culture and development") and any further needs. In

addition to specific workshops, an internal survey was carried out between July and October, which involved a representative sample of the company population (around 1,200 members of staff).

The results show that “Time, work-life balance and family” is the less well-known and less used welfare area, yet it is also regarded as the most important one. In detail, the initiatives for balancing work/life with particular focus on children and elderly parents were particularly appreciated: for example, the company crèches, the summer camps and the pilot initiatives regarding care for the elderly. Within the “Saving and sustainability” area (second area for importance), the presence of refreshment facilities, including company canteens and cafés, and the availability of spacious and free parking are considered positive distinguishing factors. The results also show acknowledgement of the company’s commitment towards health and prevention, whereas the initiatives directed towards personal culture and development are diffused but are viewed as secondary.

Based on the information gathering phase and on the comparison with other companies that have implemented welfare plans, the importance of clearly communicating on a periodical basis information about the initiatives and services was noted, together with the fact that investing in people’s welfare leads to greater productivity for the company.

The Group objective, therefore, will be to structure an integrated company welfare plan that is capable of enhancing the most significant current initiatives and of giving new responses to the needs that have emerged, while maintaining a close link with all local areas.

The following is also expected in 2015:

- to further extend the summer camp offer to employees’ children by including the areas of Triveneto and Marche and spreading the daytime summer camp initiative to AcegasApsAmga and Marche Multiservizi, with a variety of offers based on interests and activities;
- to spread a culture of awareness towards the efficient use of working tools, seeking to reduce working time and limit the increase in company costs for handling data: our goal is to manage the use of emails effectively in order to optimise their flow and to focus on the uniformisation of corporate presentations, with a relative handbook, through a new, single and shared powerpoint model.

Women staff (breakdown by position)

%	2012	2013	2014
Managers	17.3%	16.2%	16.4%
Middle managers	28.9%	28.0%	28.8%
<i>Total managers and middle managers</i>	<i>25.8%</i>	<i>25.0%</i>	<i>25.9%</i>
Management employees	32.9%	32.9%	32.1%
<i>Total managers, middle managers and management employees</i>	<i>30.6%</i>	<i>30.3%</i>	<i>30.0%</i>
Non-management employees	42.8%	41.3%	41.1%
<i>Total employees</i>	<i>39.9%</i>	<i>38.3%</i>	<i>38.3%</i>
Workers	4.7%	3.8%	3.8%
Total	24.6%	23.3%	23.3%

Women staff levels among open-ended contract workers reached 23.3% in 2014, compared to a national average in the same sector of 16,5 (source: ISTAT). Excluding AcegasApsAmga, this percentage is constantly on the rise during the three-year period considered (also for staff in higher positions), settling at 25.4%.

The impact of female personnel among managers and middle managers rose by 1 percent in 2014, settling at 25.9%, (27% with the exclusion of AcegasApsAmga). Excluding AcegasApsAmga managers and middle managers woman rose to 11%.

Considering all contractual qualifications that provide for a managerial role (managers, middle managers and management employees), women comprise 30%.

Personnel by age group

%	2012	2013	2014
Under 30	2.6%	2.2%	2.1%
From 30 to 50	61.3%	57.4%	54.6%
Over 50	36.1%	40.4%	43.3%
Total	100.0%	100.0%	100.0%

There are over 3,500 open-ended contract employees over 50 years of age. This figure is on the rise compared to 2013, thus confirming the increasing trend from 2012.

Part-time contracts

No.	2012	2013	2014
Men	30	38	50
Women	217	274	285
Total	247	312	335

Part-time arrangements, as regulated by current labour agreements, are considered a valid instrument in providing a response to **labour flexibility** needs both in terms of organisational and employee needs.

They are characterised by the voluntariness, reversibility and compatibility with the technical, organisational and productive needs of the company and the needs of workers.

Family and health needs, the need to help others with disabilities, and cases of serious illness (duly certified as such) are our priority considerations in assessing applications. The persons to whom staff members report must consider how viable the contracts the applicants seek are in terms of corporate needs: if it is concluded that the contract is viable, the changes will be made.

In 2014, 179 requests for part-time arrangements were submitted, 175 of which were accepted. Over the last three years, preference towards part-time work among female workers continues to be strong (85% in 2014). In 2014, all requests for part-time arrangements from women following maternity leave were accepted.

Maternity, paternity and parental leave

	2012	2013	2014
Maternity leave taken (no.)	60	37	44
Paternity leave taken (no.)	224	195	225
Duration of parental leave taken, per capita (days)	39	40	28

In 2014, 44 employees took maternity leave; all employees returned to work following maternity leave (no employees resigned within 3 months of returning to work from maternity leave).

Out of all parental leave, it is worth noting the significant rise in the number of leaves taken by men (83 in 2014 compared to 40 in 2013), following the recent measures to support parenting according to which working fathers must take 1 day of leave within 5 months from the birth of their child. Excluding this obligation, 37 parental leaves were taken by men in 2014, with an average duration of 19 days.

The average duration per capita of leave taken in 2014 was 28 days (39 days for leave taken by women and 9 days for leave taken by men).

Persons belonging to quotas set forth by Law no. 68/1999

No.	2012	2013	2014
Persons belonging to quotas set forth by Law no. 68/1999	340	397	392

The data refer to the following companies: Hera S.p.A., Marche Multiservizi, Uniflotte, Hera Comm, Hera Trading, Herambiente, FEA, Acantho, Hera Luce, Akron and Sinergia.

In all the provinces in which it operates, Hera complies with the obligations of Law no. 68/1999, which requires that **personnel belonging to protected recruitment categories be hired** in the proportion set forth in that law. Fulfilling those obligations involves the use of the regional compensations and agreements, the objective of which is to gradually fulfil employment obligations. This law promotes the recruitment and integration within the sphere of work of certain classes of persons (the differently-abled, orphans etc.), and also provides that the worker's recruitment process is carried out by way of solutions agreed between the company, the Regional Employment Office and the worker.

At the end of 2014, there were **392 persons belonging to the categories set forth by Law no. 68/1999** working in Group companies: **335** were classified under Article 3 of the law (disabled). Overall there are: 150 blue-collar workers, 238 white-collar workers and 3 managers/middle managers.

Developing resources: 2014 action plan implemented

Enhancing the competences and potential of differently-abled persons working in the company, analysing their satisfaction, improving their work and, if necessary, implementing work requalification while increasing productivity: this is why "Developing Resources" was developed starting in 2008 with the support of the ASPHI Foundation which promotes the integration of differently-abled persons in schools, the workplace and society. Once again in 2014, 10 individual projects were developed: they were carried out and monitored according to the procedures defined in 2010 and regarded (inter alia): specific training, job changes, IT implementation, the removal of architectural barriers and the purchasing of corporate vehicles with specific equipment.

Training and professional development

232,508 training hours provided in 2014 with an investment of over Euro 1 million and 650 thousand

At Group level, 232,508 (approximately 28 hours per capita) training hours were provided overall. Excluding AcegasApsAmga and Marche Multiservizi, 181,528 training hours were delivered, increasing by 5.2% compared to 2013. This increase is mainly due to the organisation of extraordinary training activities: State-Regions Agreement; "Hergo Ambiente" project; on-the-job training in the General Operations Department area.

Total training hours per area of intervention

hours	2012	2013	2014
Sales and market	12,751	23,452	18,529
Managerial	18,593	29,137	20,033
Quality, safety, environment, SA8000 social responsibility	65,368	66,877	83,659
Information systems	12,724	13,443	22,560
Technical-operational	48,837	54,726	67,786
Ethical values and corporate culture	23,507	29,040	19,941
Total	181,780	216,675	232,058

The item “Ethical values and corporate culture” includes the annual meetings of the Executive Chairman and Managing Director and the event for the presentation of the Sustainability Report organised in Bologna. The Managerial area specifically includes the training initiatives on the Leadership Model and the first edition of the “Institutional Middle Management Training”, as well as other initiatives related to HerAcademy, the Group’s Corporate University.

In the Sales and Market area, an important innovative project was the development of initiatives regarding the coaching of call center and branch operators by managers and middle managers (“Ascolto Clienti” (Listening to Customers) project).

In addition to ongoing commitment and investment in Quality, Safety and Environment, we also gave further continuity to the Scuola dei Mestieri in the technical-operational area, whilst in the Information Systems area of note are the training activities related to the “Hergo Ambiente” project.

Training hours (average, per capita)

Hours	2012	2013	2014
Managers	42.0	47.3	40.3
Middle managers	43.8	47.0	40.9
Employees	28.0	25.7	27.2
Workers	22.8	23.5	26.6
Project based contract workers and workers with staff leasing contracts	6.7	37.2	38.0
Average	26.8	26.4	28.0

The training hours per capita **amounted to 28**. Excluding AcegasApsAmga and Marche Multiservizi (which recorded 24.5 and 19.5 training hours per capita, respectively), 29.8 training hours per capita were recorded in 2014, 5% higher than 2013. **Average training per capita in female workers** amounted to 26.2 hours against 28.6 average hours in male workers.

Professional training in the main Italian utility companies

Hera is in second place among the 15 companies considered in the comparative analysis between the main Italian utility companies carried out by Federutility-Utilitatis in terms of training hours per capita delivered to workers, with a relative value of 26.4 hours in 2013 against an average of 19.5.

Percentage of workforce attending at least one training course

%	2012	2013	2014
Managers	100.0%	99.7%	99.2%
Middle managers	99.9%	100.0%	96.6%
Employees	98.5%	98.8%	96.0%
Workers	93.3%	95.1%	97.1%
Project based contract workers and workers with staff leasing contracts	31.4%	90.2%	100.0%
Total	96.0%	97.3%	96.9%

The **workers involved** in at least one training event totalled 96.9%, basically in line with 2013. Excluding AcegasApsAmga (97.5% of workforce involved in at least one training event) and Marche Multiservizi (91.4%), 97.2% of workers were involved in at least one training event

Assessment of training

%	2012	2013	2014
Degree of satisfaction of trainees (perceived quality)	84%	85%	85%
Outcomes (correspondence with needs)	69%	70%	72%

Training, including hands-on training, is planned based upon a needs analysis in accordance with the Group's Roles and Competences Model: this is followed by detailed planning which includes cost forecasts. The activities are monitored and assessed during the year and after training.

Hera uses a training assessment system that takes the degree of satisfaction expressed by the workforce attending the courses into account, alongside the assessments of the department managers with respect to the impact of training actions on the skill profile development of co-workers and on their application in the performance of the working activities.

The degree of satisfaction is generated by assessments conducted by trainees once the course is over, on a scale of 0 to 5. The table indicates the average grade obtained, on a scale of 0 to 100: the degree of satisfaction is in line with 2013.

The outcomes are the result of the assessments carried out by managers in terms of collective impact of the training provided for each role. The reported percentage values indicate scores of 4 or 5 (1 - 5 scale).

Total training cost per area of intervention

Thousands of Euro	2012	2013	2014
Sales and market	11	47	103
Managerial	308	311	364
Quality, safety, environment	343	370	564
Information systems	2	13	33
Technical-operational	174	176	309
Ethical values and corporate culture	9	62	15
Other	291	269	267
Total	1,140	1,248	1,655

The data refer to Hera S.p.A., Herambiente, Hera Comm, Hera Trading, Uniflotte, Famula on Line (until 2012), Hera Luce, Acantho, AcegasApsAmga (since 2013) and Marche Multiservizi (since 2013).

The overall financial investment made by the Group in 2014 exceeded **Euro 1.7 million**, net of costs for staff undergoing training and internal teachers, around Euro 517 thousand of which related to the use of financed training funds.

Excluding AcegasApsAmga and Marche Multiservizi, training costs amounted to approximately Euro 1.2 million.

Main training initiatives

In the Ethical values and corporate culture area, in addition to **annual meetings with Top Management** (for a total of 9,056 hours) and to the **presentation of the Sustainability Report** (for a total of 1,100 hours), of note is the continuation of the transversal training programme “**Corporate Social Responsibility and the Code of Ethics in day-to-day management**” (292 hours delivered), aimed at increasing awareness and reflection on the topics covered.

In the Managerial Training area, in addition to significant training actions related to the **Leadership Model** (key element “orientation to excellence”) for a total of 2,844 hours, the development of the first edition of the **Institutional Middle-Management Training** programme (984 hours) is pointed out: this initiative involved 24 managers either recently appointed or coming from outside and featured significant planning and teaching contributions by a number of Group Directors. The **Lean Sigma / Lean Organisation (yellow, green and black belt)** training and certification programmes continued to be organised, totalling 1,361 training hours.

In the Sales and Market area, **training on customer communication techniques** (around 3,000 hours overall) and **advance negotiation and sales techniques** (132 hours) continued; the project regarding the coaching of call center and branch operators by managers and middle managers (“**Listening to Customers**” project) was developed through 122 hours of training.

“Listening to Customers” Project

The “Listening to Customers” project was developed during 2014. The aim of the project is to further enhance the importance of customer relation activities and the role of personnel covering this position. The project included the coaching of call center and branch operators by Group managers and middle managers during their daily work, especially work involving contact with customers. A total of 30 coaching initiatives were carried out and the project is expected to be continued during 2015.

In the technical-operational area, continuity was given to the Scuola dei Mestieri initiatives and significant on-the-job training activities were implemented related to the **Emergency Service** in the General Operations Department area, with 2,979 hours delivered.

Among the Information Systems activities carried out, 7,658 training hours were provided for the “**Hergo Ambiente**” project, while 818 hours were delivered in the Administration, Finance and Control area for the “**Fast Closing**” project.

The Group’s training actions continued to give key importance to training on safety in daily work practices: 83,659 training hours were provided overall in the **Quality, Safety and Environment** area with particular reference to training in the area of work-related stress and training required by the State-Regions Agreement. Still in the Quality, Safety and Environment areas, transversal training activities were carried out on energy efficiency and energy management issues.

With regard to **AcegasApsAmga**, a total of 39,479 hours were provided in 2014 (24.5 hours per capita), with an over 50% increase in training hours compared to 2013. The increase is due in particular to change management activities related to the new organisational model and to the related integration activities with focus on gradual alignment to the Group’s processes, procedures and information systems.

The activity carried out by AcegasApsAmga relating to workplace Health and Safety was very significant: in 2014, OHSAS 18001 certification was achieved and

16,889 QSE training hours were delivered, with an increase of over 67% compared to the hours in this area during the previous year. The main training interventions in this area regard the State-Regions Agreement, the obligations laid down in Italian Legislative Decree no. 81/2008 (especially, concerning employers, managers and supervisors) and work equipment.

Managerial training activities also played a key role, specifically involving managers and middle managers in training on the Group's Leadership Model and in other training activities aimed at strengthening transversal skills (project management, people management, etc.). Young high-potential resources were involved in these activities.

AcegasApsAmga also carried out significant training activities in the technical-operational intervention area, delivering a number of hours that more than doubled compared to 2013: these activities were aimed at developing or refining the technical skills especially related to operational procedures or to the use of new tools.

The Scuola dei Mestieri and its progress

The Scuola dei Mestieri, which has now reached its tenth year, is a consolidated project for the efficient development of the technical and operational skills that are present within the Hera Group. Its aim is to raise the level of awareness of professional conduct and of skill transfer within the company.

There are 15 notebooks printed and published for the Scuola dei Mestieri: the study seeking to gradually transfer the contents in digital format (a "prototype" was implemented) and to further support the community development of the company areas covered was completed in 2014.

Improving organisational results and strengthening the Group's sense of belonging are among the objectives that brought us to further extend the Scuola dei Mestieri model, together with knowledge management projects, to the Apprenticeship Communities: groups aimed at producing and sharing action procedures and practical knowledge.

In 2014, our commitment towards the activities and projects started over the past years continued, especially in the Sales and Market sphere. A new community in the Regulatory Affairs and Energy Tariffs was also developed, with the creation of the "Regulations and Tariffs" WIKI platform: the department of reference is in charge of the platform which is a sort of online encyclopaedia, conceived to promote and strengthen internal dissemination of the main regulatory developments in the businesses in which the Group is involved.

Courses focusing on the development of potential

In line with 2013, the participants in the first edition were involved in intercompany courses in Italian and foreign companies, in order to achieve best practices in their spheres and sectors of competence. The main results of their experience were presented to the Management Review.

Some of the 94 participants in the second edition took part in a training and development programme and were involved in a series of initiatives envisaging different contents and methods (classroom work, experience-based activities, online contents). The programme is included among the Group's Leadership Model activities, with particular reference to the key element "Orientation to Excellence", the in-depth focus for 2014.

The training methods are based on the use of innovative tools alongside classroom training and experience-based approaches to improve their ability to ask for and give feedback and to strengthen their development and self-development skills.

Overall, 90 women and 104 men participated in the project.

The Leadership Model

Once again in 2014, the Leadership Model played a leading role in managerial training: many initiatives were organised including workshops, seminars and training sessions. The first part of the year was dedicated to completing the meetings regarding the key element of the “Orientation to Excellence” model and its distinctive components: “Striving towards excellence” and “Identification with the company”. In July, Massimiliano Ghini (Six Seconds) and Guido Martinetti (GROM) organised a focus seminar that concluded the year dedicated to “Orientation to excellence”.

The second semester of 2014 focused on planning activities regarding the new key element “Focus on Service” and its distinctive skills “Customer orientation” and “Organisational awareness”. The focus will continue also during the first semester of 2015 with a series of training activities and initiatives providing further insight.

In line with the integration activities on the Leadership Model contents, AcegasApsAmga workers were involved in Orientation to Excellence meetings; 4 editions of the course were also carried out aimed at examining the issue of management of co-workers, involving 78 people. An introductory workshop on the Leadership Model was organised in May 2014 for managers and middle managers from Amga. They were also involved in Orientation to Excellence sessions together with AcegasApsAmga, on 11 and 12 June 2014. AcegasApsAmga will be fully involved in all the forthcoming initiatives regarding the Leadership Model.

During the course of 2014, training on the Leadership Model involved over 3,900 hours.

Agreements with Universities

The Hera Group has entered into several framework agreements over the past years with leading universities in the Emilia-Romagna area (the University of Bologna, the University of Modena and Reggio Emilia, and the University of Ferrara), which include the assignment of six-monthly scholarships for final year students and for recent graduates. On the occasion of the presentation of the 2013 Sustainability Report, a memorandum of understanding was signed with the University of Bologna which identifies forms of cooperation in the areas of teaching and research.

The Group also has agreements with the University of Padova, the University of Parma, the University Federico II of Naples, the University Cà Foscari of Venezia and, since, 2014, with the Polytechnic University of Marche and the University of Cagliari. The Group works actively with various Business Schools including the Consorzio MIB School of Management in Trieste, Alma Graduate School in Bologna and ISTAO (Adriano Olivetti Institute) and is a member, together with the Pirelli and Ferrero companies, of the Assoknowledge-Confindustria Scientific Committee - Innovative and Technological Services.

The agreement for scientific cooperation with the University of Milan - Bicocca and CRISP (Inter-university Research Centre for Public Utility Services) continued: the general aim of the agreement is to support the development and implementation of activities within the Group’s Corporate University.

Health and safety

Improving conduct and increasing knowledge with regard to health & safety is a continuous objective for Hera

Ever since its establishment, prevention and safety at work have been among Hera’s founding principles; improving conduct and strengthening corporate awareness towards health and safety is an ongoing target for the Group.

Several initiatives have been developed over the past years: one of the most recent and significant is certainly “A year for safety in the Hera Group” which has developed a coordinated set of projects aimed at stimulating virtuous and

proactive conduct both during work and in other daily life contexts featuring the effective involvement of workers.

These initiatives, together with ongoing training and coaching of staff, specific actions for the improvement of means and equipment, and timely analysis and investigation of accidents and near misses have allowed us to achieve important results. The specific indicators, reported below and illustrated, are a tangible sign of the improvements attained by the Group in this important field.

Accident indices

	2012	2013	2014
Frequency index	25.5	23.9	22.6
<i>of which for ongoing accidents</i>	4.6	4.8	3.4
Severity index	1.6	1.3	0.6
Rate index	3.9	3.7	3.5
Average accident duration (days)	31.7	54.9	26,2
Number of accidents	255	290	277
<i>of which for ongoing accidents</i>	46	59	43

The frequency index is the number of accidents per million hours worked. The severity index is the number of days of absence per accident divided by thousands of hours worked. The rate index is obtained by dividing the number of accidents by the number of workers, multiplied by 100. The data referring to accidents reported to INAIL which lasted more than 3 days were considered.

The data refer to the following companies: Hera S.p.A., Marche Multiservizi, Herambiente, Nuova Geovis, FERA, Akron, Uniflotte, Hera Luce, Hera Comm and AcegasApsAmga since 2013. These companies include 96% of the Group workforce.

The accident frequency index for the Hera Group in 2014 was 22.6 (-5% than the previous year). This index rises to 25.0 (28.2 in 2013) if we consider the accidents lasting less than 3 days (29 in 2013). The overall number of accidents for the Hera Group declined further in 2014 (-4% compared to 2013). The number of ongoing accidents (while travelling to/from work) accounted for 15.8% of the total, dropping compared to the figure of 2013 previous year when it accounted for 20% of cases.

The frequency index of the Hera Group in 2014 was equal to 0.6, a significant decline compared to 2013 (1.3). Without counting the mortal accident that occurred in AcegasApsAmga in 2013 (equivalent to 7,500 days of absence), in 2014 there was an overall decline of 1,000 days of absence due to illness (-13%), 862 of which in Hera S.p.A. alone. In 2014, the number of days of absence due to accidents attributable to ongoing accidents (while travelling to/from work) accounts for 21% of the total days of absence: this value is in line with 2013.

A mortal accident occurred in Padova in December 2013 which involved a waste management service operator who was seized by a sudden illness while he was in the changing room at the end of his work shift. The event was reported as a work-related accident and the conclusion of the investigation carried out by Inail regarding acknowledgement of the accident, is still pending. With regard to the mortal accident that occurred in March 2012 which involved an employee while driving a company vehicle in Rimini, following the request for committal to trial of a Hera S.p.A. employee notified in December 2013, the proceedings terminated in September 2014 with payment of a monetary sanction pursuant to art. 444 of the Code of Criminal Procedure. With regard to the mortal accident that occurred at the incinerator in Bologna in December 2010, following the request for committal to trial of a Hera S.p.A. employee, a Frullo Energia Ambiente S.r.l. employee and a Herambiente S.p.A. employee notified in January 2014, the judge acquitted all three defendants of the crime charged by way of judgement of 24 October 2014 "since the fact does not constitute an offence". Lastly, with regard to the mortal accident in 2009 that occurred at the waste-to-energy plant of Forlì, following the committal to trial of 3 Hera S.p.A. employees and 1 Herambiente S.p.A.

employee, the preliminary hearing was held on 3 April 2014 and, after being adjourned to 24 September 2014, the hearing was scheduled for 1 April 2015 for the examination of witnesses and experts.

Occupational safety in the main Italian utility companies

Considering a comparative analysis between the main Italian utilities carried out by Federutility-Utilitatis, the 2013 frequency index of Hera regarding accidents lasting more than 3 days is 22% lower than the average of the 15 companies considered (equal to 30.7).

Accident frequency index (by function)

	2012	2013	2014
Grid services	22.5	17.6	16.4
Waste Management Services	41.6	38.9	33.4
Coordination activities	6.6	5.4	3.1
Average	22.7	20.4	19.9

The data refer to Hera S.p.A.

The greater exposure to accident risks for certain services affects the index levels, ranging from lower levels recorded in the grid services to higher levels in the waste management services. The accident frequency index in the grid services is less than half than that reported in the waste management services and has in any case dropped considerably over the three years taken into consideration.

Accident frequency index (by workers)

	2012	2013	2014
Total	44.0	36.8	36.7
Of which Grid services	36.3	25.6	31.7
Of which Waste Management Services	58.4	53.4	45.7

The data refer to Hera S.p.A.

Accident indices are higher for workers, since they are more at risk of accidents. In 2014, the accident frequency index for blue-collar workers was 36.7, in line with 2013 (36.8) and sharply decreasing compared to 2012 (44.0).

With regard to Hera S.p.A., a detailed analysis of the manner in which accidents occur reveals that falling/slipping and ongoing accidents are the two main causes of accidents (37% and 21% of the total days of absence due to accident). Injuries caused by road accidents at work instead represent 6.3% of total cases.

Accident indexes of some subsidiaries (2014)

	AcegasApsAmga	Herambiente Group	Marche Multiservizi	Hera Comm	Uniflotte	Hera Luce
Frequency index	24.4	24.5	51.3	7.8	30.3	10.2
Severity index	0.8	0.4	1.0	0.3	0.5	1.1
Rate index	3.6	3.8	8.3	1.1	4.6	1.6
Workforce	1,590	736	590	566	130	62

Regarding accidents in Hera Group companies included in the scope of consolidation, some improvements may be seen in the accident frequency indices for companies such as AcegasApsAmga (from 28.9 to 24.4), Marche Multiservizi (from 48.4 to 38.5), Hera Comm (from 12.8 to 7.8) and Hera Luce (from 29.5 to

10.2). The figure regarding Herambiente and its subsidiaries is above the 2013 figure but 7% lower than the 2012 figure.

During 2014, intensive training and information activities (in compliance with the State-Regions agreement) were directed towards the entire workforce. Several hands-on training activities were carried out for Hera personnel at the dedicated structure set up in Imola (hands-on training on access and work in confined spaces, fire-fighting and work at height). More specifically, 59 training activities were organised at the training site in 2014, involving around 900 Group Hera workers for a total of over 6,000 hours.

OHSAS 18001 certification regarding work health and safety was implemented in AcegasApsAmga in 2014: to achieve the certification, all the company's plants, platforms, operating and transport vehicles were examined to check their compliance with legislation and the appropriateness in terms of safety. Over 10,000 training hours were delivered during the certification process: even suppliers and sub-contractors were involved by setting up specific qualification and information procedures on the observance of security measures. AcegasApsAmga also showed an increase in the use of personal protection devices following awareness-raising and information campaigns. In checking conduct and compliance with working procedures, the activities were carried out by safety supervisors and managers by filling in specific oversight checklists. The Safety SMS service also continued which since September 2013 reminds workers on a weekly basis of how important it is to work in safety and to report near misses in order to prevent other accidents.

Continuation in 2015 of the Road Safety project has been confirmed. The project was launched to identify improvement opportunities for responsible driving. In 2014, the existing systems and processes for managing road accidents were analysed and improvement areas in technological, organisational and management spheres were identified.

In 2014, the design phase of the QES information system was concluded in Hera S.p.A.: the system is expected to be introduced in 2015 and will be implemented in a number of Business Units, with active participation of the operating lines and cooperation of the prevention and protection service. In order to focus more on accident prevention, specific information and awareness-raising events will be implemented in the operational structures, based on a thorough analysis of the near misses and work accidents and on the identification of the necessary prevention and protection measures.

In 2014, the ratio between near misses reported and accidents that occurred for the Group's scope of reporting was 126% (91% in 2013). The ability to report and analyse near misses is of key importance for the prevention of accidents: after a number years of positive trend, a sharp drop in this important aspect of prevention was observed in 2013. This trend was adjusted during 2014 and among the Group's overall results, those achieved by Hera S.p.A. (145%) and by Herambiente (348%) are worth pointing out. These are good results if we consider the value of this indicator a few years ago.

The main types of near misses analysed by the prevention and protection service regarded road accidents, falling or slipping to the ground and load handling. In 35% of cases, the analysis of the events allowed specific corrective actions to be implemented aimed at eliminating the causes that generated the event.

A project on personal protection devices started in 2014 which aims to create prototypes of gender-based personal protection devices. The research, analysis and study phase carried out by Hera led to a first positive result: a new supply of safety footwear, chosen not only in compliance with the technical and ergonomic criteria provided for by law but also on the basis of indications received from company staff and qualified roles (supervisors, workers' safety representatives), obtained substantially positive views from the interviewed workers.

The “Healthy lifestyles” project, which started in 2013 for the promotion of healthy behaviour in Hera Group employees, identified two spheres of action: the promotion of healthy diets and the fight against smoking. The healthy diet project was developed in 2014 by awarding the tender for the company canteen and organising 2 meetings with the canteen provider aimed at planning and gathering information on the dietary lifestyles of Hera’s population. This was achieved through a survey on the corporate population’s eating habits and lifestyles. Specific information activities regarding healthy diets for employees are expected to be launched in 2015. A nutritionist will be available on the company premises on certain days and information totems and monitors will also be installed.

Following the feasibility study and design of a specific initiative for the entire workforce, carried out during 2013 and 2014, regarding the fight against smoking, implementation was postponed to 2016 based on the priorities of the improvement projects in progress.

Educational and training activities will be implemented in 2015 on “road works in the presence of vehicle traffic” for all operational staff involved. Furthermore, in 2015, the activities will continue at the training site as scheduled during the collection and analysis of training needs (for example, operational training for access and work in confined spaces or areas of suspected pollution; fire-fighting; work at height; and electrical works).

For future years, in compliance with the indications set out in the Group’s Business Plan and with the improvement actions both implemented and scheduled, a further reduction in the accident indices and an increase in the near misses reported by the employees are envisaged.

Remuneration and incentives

Sustainability objectives are included in employees’ bonus systems

All Group employees are hired through national collective labour agreements, with the exception of project-based contract workers, for whom a collective labour agreement is not envisaged, covering 0.1% of average employees in 2014. Employees with staff leasing contracts, amounting to 0.6% of average workers in 2014, have the same economic conditions as those provided in the contracts applied to employees with open-ended contracts (including the performance bonus).

Relation between minimum pay and salary conditions according to labour agreements and Hera pay and salary levels (Federgasacqua contract - 2014)

Euro	Min. pay/salary (according to lab. agr.) (A)	Min. pay/salar y (Hera) (B)	% Gap (B:A)	Average Hera compens ation (C)	% Gap (C:A)
Middle managers	2,870	3,113	8%	4,475	56%
Employees	1,592	1,691	6%	2,663	67%
Workers	1,592	1,592	0%	2,311	45%

The data refer to the following companies: Hera S.p.A., Uniflotte, Hera Comm and Hera Trading.

The table illustrates the gaps between gross monthly pay/salary levels (net of accrued 13th and 14th monthly pay and of performance bonus) and those specified by the Federgasacqua labour agreement, which governs the employment relationship of 49% of workers. Comparison between the minimum pay/salary conditions of the Federgasacqua contract and the minimum one applied was conducted by considering the minimum classification conditions for the three

employment classes. The minimum salary applied is 8% higher than that envisaged by the labour agreement for middle managers, 6% higher for white-collar workers and is line for blue-collar workers. The average salary is higher than the minimum labour agreement conditions for all three positions: +56% for middle managers, +67% for white-collar workers and +45% for blue-collar workers.

Ratio between senior management compensation according to labour agreements and Hera levels (Confservizi contract)

Euro	2013	2014
Minimum according to labour agr. (A)	4,846	4,846
Hera minimum (B)	5,476	5,154
% Gap (B:A)	13%	6%
Average Hera compensation (C)	9,297	9,450
% Gap (C:A)	92%	95%
Average market salary for managers	10,340	9,638
% difference compared to the market	-10%	-2%

Excluding Marche Multiservizi and AcegasApsAmga.

The table illustrates the gaps between average gross monthly salary levels in Hera (net of the accrued 13th monthly pay and variable remuneration) and those envisaged by the national collective labour agreement for the senior management category. For this qualification, the contract of reference is the Confservizi contract. The **average salary of Hera managers is 95% higher** than the minimum salary stipulated in the contract, while the minimum salary applied by Hera is 6% higher than the Confservizi contract. The average salary of Hera managers is 2% lower than the average market salaries for managers, as reported in the Hay Compensation Report - Total Cash Italia 2013.

Average salaries by gender (2014)

Euro	Men	Women
Managers	9,742	8,136
Middle managers	4,546	4,424
Employees	2,768	2,597
Workers	2,321	2,194

The data refer to the following companies: Hera S.p.A., Uniflotte, Hera Comm, Hera Trading, Herambiente and FEA.

The **salary gap between men and women** within the management class is significant (approximately Euro 1,600): this figure is influenced by the fact that there are fewer female directors than male (4 out of 39). The average salary of middle managers is essentially homogeneous, while the salary gap between men and women is due to the fact that 66% of management employees are male. The different level of skills and tasks carried out explains, instead, the salary gap between male and female workers. Regarding managers, white-collar workers and blue-collar workers, the ratio of the remuneration of women to that of men, is significantly higher than the national average (79% in 2010) and that of the water and environmental sector - 89% in 2010 (Source: Istat).

In 2014, the ratio between the gross annual salary (excluding performance bonuses and variable remuneration) of the person with the highest salary and the median value of workers was equal to 10. The gross annual salary of the person with the highest salary did not vary compared to 2013, whereas the median variation percentage of workers was +2.3%.

Gross performance bonus (per capita)

Euro	2012	2013	2014
Middle managers	1,567	1,567	2,038
White-collar workers	1,357	1,357	1,766
Blue-collar workers	1,251	1,252	1,628
Weighted average	1,325	1,329	1,733

2012 and 2013 data refer to the following companies: Hera S.p.A., Famula on Line (until 2012), Uniflotte, Hera Comm, Hera Trading, Herambiente and FEA.

The 2014 performance bonus of middle-managers, white-collar workers and blue-collar workers was defined within the Group Supplementary Collective Labour Agreement which was renewed on 5 March 2014, in keeping with the previous approach based on profitability, productivity, sustainability and sector-specific indicators. The profitability is the gross operating margin, whereas the main productivity indicators include: the gross operating margin/staff ratio, percentage of absenteeism due to illness, km of networks reclaimed or inspected, km of networks managed/staff ratio, and reporting of near misses. The sustainability indicators range from stocks to measuring of the schedule for variable performances provided to customers, to laboratory tests and to the percentage of calls received by the Technical Call Center with response within 2 minutes; they also include the customer satisfaction index, the acquisition of Electricity and Gas customers, as well as the amount of solid and liquid waste treated and disposed of in plants, and the percentage of separate waste collected.

Other incentive systems

Starting from 2006, the incentive system of the Hera Group has been linked to the **balanced scorecard system**. According to this system, the variable component of each manager and middle manager is calculated as a percentage value of gross annual salaries and is defined on the basis of results obtained relative to the objectives defined at the start of the year. The balanced individual scorecard is structured in three parts:

- the first consists of specific **project-objectives** deriving from translation in operating terms of the objectives contained in the Group's strategic map;
- the second contains the **economic objectives** defined in the budget for the year;
- the third involves an assessment on the behaviours set forth in the Group Leadership Model.

The structure of the balanced individual scorecard, or the weights assigned to the three areas, vary according to the seniority of the employee and the department he/she belongs to.

The final assignment of the bonus is weighted according to the results reached insofar as certain Group parameters: financial-economic business results and customer satisfaction index for residential customers.

The assignment of the objectives to employees and the assessment of their achievement take place through a clearly defined process which is based on the decision of top management for the individual balanced scorecards of the directors and managers and of the directors for the individual balanced scorecards of the middle managers. The activity takes place with the coordination of the Balanced Scorecard System Management function within the Corporate Social Responsibility Department.

52% of the variable remuneration of Hera Group managers is linked to the completion of the projects planned in the balanced scorecard system: the remaining 48% is linked to respect of budget objectives and compliance with the behaviours set forth in the Leadership Model.

A total of 482 managers and middle managers received a bonus linked to the balanced scorecard in 2014. This is added to 131 employees who received an incentive bonus in the forms provided by the merit-based policies of the Group in 2014.

Pension funds

Excluding AcegasApsAmga, the number of employees participating in the pension funds as at December 2014 was 4,445, or around 69% of total employees. This figure, which shows an increase compared to 2013, when the members were 4,399, takes into account a small increase in the consolidated scope. Without considering the change in scope, the percentage incidence of the members on total workers increased by one percentage point, in favour of the so-called “open-end” funds.

The Hera Group has three main pension funds for its workers: Pegaso for employees under the Gas-Water and Electricity national collective labour agreements; Previambiente for employees under the Federambiente national collective labour agreement; and Previndai for managers. Around 93% of total employees enrolled in pension funds are enrolled in these three funds.

Yield of the main pension funds (balanced sub-fund)

%	2012	2013	2014
Pegaso	9.44%	7.78%	8.16%
Previambiente	8.28%	6.80%	8.87%
Previndai	6.06%	2.98%	4.49%

Industrial relations

At Group level, on 13 February 2014, in the offices of AcegasApsAmga in Trieste, a memorandum of understanding was entered into between Hera, AcegasAps, Amga, Emilia-Romagna Hera Group’s union organisation and the local and corporate trade-unions of the interested areas, which regarded the merger of Amga into the Hera Group. The merger process then developed into a merger by incorporation of Amga into Hera and transfer of the business branch of Amga (incorporated company) in AcegasAps.

In the **Emilia-Romagna area**, the **profitability and productivity indicators** were defined for the 2013-2014 period, in compliance with the provisions of the Supplementary Collective Labour Agreement signed on 5 March 2014, which established the new performance bonus for the three-year period 2013-2015 and the economic and regulatory standardisation of remuneration due for travelling and canteen, defined in April with an Agreement among the parties.

A memorandum of understanding was entered into in March by Hera S.p.A. and the local and corporate trade-unions of Ferrara regarding the re-organisation of the water purification facility of Pontelagoscuro, where the H16 continuous activity was replaced by the introduction of a daytime daily schedule 365 days/year. This reorganisation brought management and operational benefits and helped resolve some organisational issues that were still open.

In June 2014, according to the agreement for the renewal of the Electricity Sector National Collective Labour Agreement of 18 February 2013, by way of a memorandum of understanding between Hera, Hera Luce and the Group’s union organisation, the **minimum essential services to be performed, in the event of strikes**, were defined, for structures employing personnel to whom the Electricity Sector National Collective Labour Agreement is applied. This agreement, through the prompt identification of criteria, enables facilities such as the Imola cogeneration plant, as well as the remote control, technical call center and electrical emergency service structure of the Modena area to continue to be operational.

As set forth in the Supplementary Collective Labour Agreement, the Group **training plan** for 2014 was presented and an agreement was reached on financed training for Hera, Herambiente, Hera Comm and Hera Luce.

Starting on 1 October 2014, upon completion of a process that commenced in 2013, **supplementary health care** became effective for employees to whom the National Collective Agreement for waste management services is applied. Funding of the services will be charged to the employer.

On 24 November 2014, by way of an agreement between the parties, within the scope of discussions that lasted several months, a **uniform structure for the working hours** of Hera Group personnel working in Emilia-Romagna, in charge of supervising the technical, operational, administrative and commercial activities, was defined. This agreement became effective on 5 January 2015 and made it possible to standardise working hours in relation to the different geographical area of personnel who already worked different hours within the same area.

Following signature of the agreement for the renewal of the Gas and Water sector National Collective Labour Agreement on 14 January 2014, a **new unified regulatory framework regarding on-call services** was defined. The renewal was introduced during launching of Hera Group's new on-call model and made it necessary to define new regulations allowing the alignment of the new economic conditions to the already existing regulations in the Group, with reference to employees to whom the Gas and Water sector National Collective Labour Agreement is applied. Starting from 1 January 2015, following an agreement between the parties, the Group's on-call economic conditions are therefore governed by the provisions established in the above renewal agreement.

In December, Hera and the local and corporate trade-union organisations of Modena signed a memorandum of understanding regarding the new organisation of the **emergency service for the electrical sector** within the area of Modena. The emergency service has replaced the H24 continuous activity by switching to H16 for 365 days/year and has introduced the position of an on-call "single operator". Furthermore, by merging the on-call intervention area of Vignola with the Zocca area, the existing 4 on-call lines have been reduced to 2. This new model improves the efficiency, efficacy and especially safety levels by standardising organisational conduct.

Furthermore, a memorandum of understanding was entered into between Hera and the trade-union representatives provided for contractually by the Gas and Water sector National Collective Labour Agreement of Bologna for **replacement of the vouchers provided to former Seabo personnel** under the Gas and Water sector National Collective Labour Agreement, whose workplace is in the area of Bologna and who were already employed on 1 November 2002 and were still in service on 31 December 2014. In replacement of the vouchers, entitled personnel may choose whether to pay (if enrolled) a portion to the complementary pension fund (Pegaso) or to supplementary health care (Fasie).

On 10 December 2014, two memorandums of understanding were entered into between the parties regarding, respectively, transfer of the "Technical coordination of vehicles and equipment" business branch from Hera to Uniflotte, and transfer of the "Sales protocol" business branch from Hera to Hera Comm.

Hera continued to cooperate with employers' associations by taking part in commissions and delegations that deal with the national collective labour agreements for the Gas/Water, Waste Management and Electricity sectors.

In the **Friuli Venezia Giulia and Veneto** area, there were important mergers by incorporation in 2014 which involved the provinces of Udine and Gorizia.

Beginning on 1 July, following the above merger by incorporation, Isontina Reti Gas, Est Reti Elettriche and Amga Multiservizi joined AcegasAps. The incorporating company changed its name into AcegasApsAmga. As part of these transactions, the procedures pursuant to 47 of Italian Law no. 428/1990 were carried out, allowing

all the workforce of the incorporated companies (around 200 individuals) to merge into AcegasApsAmga.

Within this context, a new integration and aggregation process was started.

The economic-regulatory model of the **performance bonus** was standardised with Hera Group's model; as a result, this led to the **standardisation of the main principles** and conditions existing in the various local area and/or under the various national collective labour agreements. Trieste Onoranze e Trasporti Funebri and Estenergy were involved in this gradual standardisation process.

Starting from September 2014, trade-union organisations were informed of the **reorganisation of the fluid remote control centres** whose activity in the area of Gorizia, Padova and Udine was centralised in the Group's remote control station of Forlì.

In November 2014, the meeting with trade-union organisations on the **on-call** service in the Gas and Water Sector was successfully concluded. The aim of the meeting was to reorganise the service with a business line approach and to align the amounts according to the forecasts of the renewed Gas and Water sector National Collective Labour Agreement. The organisation of the on-call service and the relevant amounts paid to staff are therefore aligned to Hera Group.

An experimental agreement with local and corporate trade-union organisations of the waste management sector in the Padova area was defined regarding **key developments in the service**, organisational and technological changes (such as GPS trackers on operational vehicles and other technological equipment) in order to improve service quality.

In the **Marche area**, a memorandum of understanding was signed in December which **changes the working hours** of the operational staff belonging to the "Networks unit" of Marche Multiservizi. The new working hours are targeted to achieving increasing work standardisation and programming, and are organised on the basis of two periods: a 8-month period spread across 5 days/week (Monday to Friday) and a 4-month period (from June to September) spread across 6 days/week (Monday to Saturday).

Once again in December, in compliance with the agreement for the renewal of the Gas and Water sector National Collective Labour Agreement regarding the **on-call** service, and taking into account the characteristics of Marche Multiservizi's business organisation and of its structure throughout the area, the economic and regulatory conditions of on-call staff were aligned to the new regulations of the Gas and Water sector National Collective Labour Agreement.

The training plan for customer branch communication services (front office, back office sales, back office user verification, sales company relations management) was approved in September: the aim of the training plan is to improve the skills of staff involved in the above services.

In June 2014, in compliance with the agreements signed on 30 July 2012 regarding the new performance bonus for the three-year period 2012-2014, the quality and productivity objectives were defined for 2014 specifically for each macro area (Mixed area, Grids area and Waste Management area).

Open-ended contract workers that are members of unions (breakdown by trade union)

No.	2012	2013	2014
CGIL	2,266	2,554	2,580
CISL	486	806	821
UIL	653	747	738
CISAL Federenergia	25	32	8
FIADDEL	105	268	245
RDB	28	25	0
UGL	11	48	38
USB	2	19	41
FESICA CONFSAL	0	18	16
FEDERMANAGER	0	14	7
ASSOQUADRI	19	19	17
CIU QUADRI	0	0	1
Total	3,595	4,550	4,512
Percentage of workforce as at 31/12	55%	55%	54%

The data refer to the following companies: Hera S.p.A., AcegasApsAmga, Marche Multiservizi, Hera Comm, Hera Trading, Famula on Line (until 2012), Uniflotte, Herambiente, Hera Luce, Medea, Sotris, Nuova Geovis and Akron.

54% of the Group's open-ended contract workers are members of a union (around one percentage point less than in 2013). Analysis of the figures by position, shows a fall of around 2 percentage points for blue-collar workers (dropping to 64%) and 1 percentage point for white-collar workers (51%), while middle managers decline by 5 percentage points (26% of the total).

Open-ended contract workers that are members of unions (breakdown by position)

%	2012	2013	2014
Middle managers	30%	31%	26%
Employees	52%	52%	51%
Workers	65%	66%	64%
Total	55%	55%	54%

The data refer to the following companies: Hera S.p.A., AcegasApsAmga, Marche Multiservizi, Hera Comm, Hera Trading, Famula on Line (until 2012), Uniflotte, Herambiente, Hera Luce, Medea, Sotris, Nuova Geovis and Akron.

Strikes (hours)

Hours	2012	2013	2014
Total time on strike (hours)	21,194	22,186	10,483
Time on strike (per capita)	3.3	2.9	1.4

The data refer to the following companies: Hera S.p.A., Marche Multiservizi, Famula on Line (until 2012), Uniflotte, Hera Comm, Hera Trading, Herambiente, FEA and Acantho.

A 50-minute strike was announced in 2014 by Fp Cgil, Fit Cisl and Ultrasporti Uil, following the mortal accident in a waste treatment company in the province of Rovigo. Other initiatives, announced by trade union federations and independent trade unions for overall 32 hours, regarded general political and economic issues such as the Public Administration reform, Jobs Act and Stability Law.

Litigation with the workforce

No.	2012	2013	2014
Litigation pending at the close of the year	36	42	49

As at 31 December 2014, 49 cases of litigation were pending in the Group: specific balance sheet provisions were made in view of the potential costs. Excluding AcegasApsAmga, there were 23 cases of litigation pending at year end: of these, 2 were for recognition of a higher employment level, 3 for dismissals for just cause, 5 for recognition of an open-ended employment agreement, 5 for compensation of damages and payment of contractual indemnity; furthermore, 2 were pending to appeal a transfer, 1 for disciplinary sanctions, 3 regarding pensions and settlement of contributions and 2 were promoted by the company. Five cases were initiated in 2014 in Hera S.p.A.. AcegasApsAmga had 16 employment-related cases of litigation pending: in December 2014, 8 cases were initiated by former temporary workers of the waste management sector of AcegasApsAmga in Padova.

155 disciplinary measures were taken against Group employees, in compliance with the applicable national labour agreements. They mainly involved oral or written reprimands (50 cases), withholdings on salary (63 cases totalling Euro 2,088) and 39 temporary suspensions from work. In 3 cases, it was necessary to resort to termination without notice. All measures taken are consistent with the sanction system which was agreed with the trade unions and involves the application of withholdings from the accrual of holidays using a progressive system if the work schedule is not respected.

The internal climate survey and other dialogue initiatives

The internal climate survey is a fundamental instrument in the process of ongoing improvement and of involvement and enhancement of the workforce, two of the operational principles set forth in the Hera Group Charter of Values. It began being applied in the Hera Group in 2005 and is carried out every two years to implement and consolidate the actions for improvement.

To comply with the results of the survey carried out in 2013, 14 improvement actions were defined. These actions were assigned to a manager and monitored on a quarterly basis through a specific report and using the balanced scorecard. Of the 14 improvement actions planned, 13 were carried out (fully or for the part regarding 2014) and 1 is in progress. In AcegasApsAmga, 10 improvement actions were carried out on the basis of the first internal climate survey in 2013.

A climate survey was carried out in October 2014 in the areas of Udine and Gorizia. The Group's sixth climate survey will be conducted in 2015, for which the objectives indicated in the Business Plan are confirmed: general satisfaction of workers equal to 63 points out of 100 and participation index of 66%.

Progress to 31 December 2014 of the improvement actions launched as a result of the 2013 internal climate survey

Role in Hera	
Improvement actions	The situation as at 31 December 2014
<ul style="list-style-type: none"> Enhancing and spreading knowledge of the Group's merit-based policies with special focus on the recently introduced changes Developing the ability to assess and segment resources by strengthening managers' ability to 	<ul style="list-style-type: none"> The new Development Process was presented in the various Group Committees. An article was published in the House Organ regarding Top Employers certification with indication of the Group's merit-based policies. The Key Roles project was developed for 4 professional categories: environment, sales, information systems, administration, finance and control. In compliance with

provide constructive feedback to co-workers	the new Development Process, specific meetings will be held in 2015 aimed at strengthening collaborators' evaluation and segmentation abilities.
Workplace	
Improvement actions	The situation as at 31 December 2014
<ul style="list-style-type: none"> • Detecting workers' main topics of interest for the House Organ and for the meetings with the Executive Chairman and Managing Director • Developing the downward communication project for the wider and more timely sharing of projects and corporate initiatives • Launching summer camps for employees' children, within the "Positive return policies" project, and assessing the need for crèches in the local areas that are not currently provided with this service, in order to enter into agreements with private structures 	<ul style="list-style-type: none"> • A survey was carried out through the House Organ to gather suggestions on how to improve internal communication tools and increase their sharing and participation. • The "Word of mouth" project was developed in AcegasApsAmga and two meetings with workers were held in March. In AcegasApsAmga were held 140 meetings that involved the 87% of employees in June, September and December. • The "Positive return policies" project involved 35 people returning to work after leave in group or individual coaching activities. Employees' children attended 108 weeks in the Hera summer camps: the initiative was highly appreciated by employees. The need for company crèches was analysed: it was not necessary to set up agreements in the areas of Ferrara, Forlì and Modena due to lack of requests. A total of 72 places were made available to employees.
Immediate superiors	
Improvement actions	The situation as at 31 December 2014
<ul style="list-style-type: none"> • Giving continuity to the programme for training and disseminating the Leadership Model, including AcegasAps workers also • Setting up institutional training programmes for new Managers and Middle managers 	<ul style="list-style-type: none"> • In 2014, the Orientation to Excellence plan for the Hera Group was fully developed and included AcegasApsAmga initiatives. An introduction workshop for Amga managers and middle managers as well as events examining co-worker management were also organised. The focus seminar on the key element "Orientation to Excellence" was carried out on 24 July 2014. • An institutional training programme was carried out for new middle managers with internal and external teaching. Furthermore, the entire structure of the training programme was established and internal teaching was defined. Based on the teachers' availability, the institutional programme for managers started on 29 January 2015.
Corporate culture	
Improvement actions	The situation as at 31 December 2014
<ul style="list-style-type: none"> • Enhancing and making personnel aware of SA8000 and the new Code of Ethics • Spreading the results of the customer satisfaction survey, in order to develop awareness of what Hera customers think • Promoting initiatives for the health of employees 	<ul style="list-style-type: none"> • Four detailed articles were published in the House Organ to disseminate news on SA8000 issues. An email was sent to all department managers of areas involved in the inspections for maintenance containing information about the standard. A brief information document was attached to the email to be distributed to co-workers during internal meetings. The new Code of Ethics was approved in January by the Board of Directors of Hera S.p.A.. It was distributed to all Group employees (including AcegasApsAmga) in March 2014: furthermore, 2 articles were published in the House Organ. The second edition of "CSR in day-to-day management" involved 24 participants including Group managers and middle-managers. On 28 November 2014, a corporate meeting was held with the participants of the two most recent training events: the aim of the event was to build a CSR corporate community. • A special section in the House Organ was dedicated to the results of the 2014 climate survey that briefly reports the main results and the new improvement actions. In March 2014, 12 meetings regarding the "Presentation of corporate strategy guidelines" were organised. • In July 2014, a survey on workers' dietary habits and lifestyles was carried out; specific information initiatives for employees will be developed in 2015; a nutritionist will be available on the company premises on certain days and information totems and monitors will also be

<ul style="list-style-type: none"> • Launching a technical survey on the adequacy of vehicles and equipment and on maintenance standards compared to the perception recorded • Developing the HeraSolidale project • Defining a corporate welfare plan • Continuing to develop the “Positive return policies” project and the “DOAR” (Developing resources) project. 	<p>installed. Another initiative for employees’ health regarding the fight against smoking will be held in 2016.</p> <ul style="list-style-type: none"> • A study is currently being carried out to develop prototypes of gender-based personal protection devices; the “Road safety in the company” project was implemented and will continue in 2015. The “DST Waste” project led to the installation of driver assistance systems in the single-operator waste collection vehicles. • 744 workers joined the initiative promoted for 9 selected non-profit organisations. • An information-gathering phase involving the corporate population was carried out to assess the understanding, use and level of importance attributed to the existing corporate welfare initiatives. The activities also made it possible to identify subsequent development priorities. • All the activities of the “Positive return policies” project (training and coaching upon return to work; group coaching initiatives) were fully continued. 10 employees were involved in 2014 in the individual development courses dedicated to people with disabilities.
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The internal climate survey in AcegasApsAmga

The results and targets identified in the first corporate climate survey for AcegasApsAmga, which was carried out in 2013, led to a plan of improvement actions according to the development areas defined by the parent company: all 10 actions indicated in the plan were fully developed or the part pertaining to 2014 was fully carried out. The 2013 climate survey had shown a positive evaluation of the Group’s image (equal to 69) and a general satisfaction level of workers that was not fully satisfactory (56) but in line with the first surveys carried out in Hera. In 2014, in order to promptly define an action plan in the light of the first results of the climate survey, the Group set up improvement groups on issues regarding mobility management, redemption and welfare, as part of the “Word of mouth” project for downward communication towards workers. Through the “Word of mouth” project, 3 quarterly meetings were organised from June 2014, with presentation of the summary climate survey results of Udine and Gorizia in December.

The edition carried out between the end of September and October 2014 dedicated to former Amga colleagues showed an overall climate index of 57: the Group’s image profile appeared to be good, with the highest scores in the following indices: the Group “is reliable”, “pays close attention to ecological and environmental aspects”, “communicates with customers”, “is important for the local community” and “is transparent”. The redemption percentage of the climate survey settled at 75% (95% in the Udine subsidiaries) and is a topic for analysis included among the corporate welfare actions promoted by the improvement Groups.

Other dialogue and consultation initiatives

With an intensive calendar of meetings (20), organised between March and July in all the areas in which Hera is involved, the Chairman and Managing Director continued to pay the utmost attention to dialogue and consultation initiatives in 2014, in order to illustrate the Group’s results and objectives. For the tenth year running, direct communication between Hera’s top management and its workers (6,010 workers involved, equal to 77% of the Group workforce) illustrated the economic results, the business plan, integration with AcegasApsAmga, the annual customer satisfaction survey and the most significant projects. Among the dialogue initiatives developed, the first explanatory meeting was held by the Chairman and Managing Director for the workers of Udine and Gorizia who joined the Group on 1 July.

In addition to the Hera Road Shows which enhanced dialogue and information with employees, various meetings were organised throughout the year specifically dedicated to the Group's corporate structures and companies, including AcegasApsAmga.

The HeraSolidale initiative also involved employees in selecting the local associations most worthy of the workers' and the company's support.

In compliance with the industrial relations protocol, the Technical study group for organisational innovation and work quality (LaborHERA) met 3 times and was set up locally on issues regarding the safety of the purification plant of via Gramiccia in Ferrara and centrally on the trend of the Performance Bonus objectives.

Internal communication

A wide variety of activities and initiatives were carried out to increase the dissemination and sharing of Group information and projects with the aim to involve the entire workforce as part of the Hera community. The internal communication tools (ranging from the House Organ to the intranet and the VideoHera monitors) were updated and enhanced for the purpose of spreading news and information in an increasingly effective and timely manner and of achieving the objective to meet the needs of operational staff ever more successfully.

In order to promote the integration of all AcegasApsAmga workers and increase their sense of belonging to the Group, the House Organ was also made available to Udine and Gorizia colleagues in July 2014.

In particular, the work to improve the contents of the monthly information newspaper continued with a view to enhancing and giving visibility to the work of many company facilities and to examining a large range of issues in depth: for example, safety at work; SA8000 and 50001 certifications on efficient energy management for Hera S.p.A.; the agreement with ANT for free preventive checkups for employees in all areas (around 400 checkups carried out); health assistance for Federambiente employees. Of note are also the initiatives promoted by the Diversity workgroup (such as the insert on agreement with summer camps for employees' children) and by Corporate Social Responsibility: among these, the "HeraSolidale" and "Give a tree" solidarity initiatives seeking to promote and increase the subscription to online billing; the "In good water" report on the quality of tap water and the "Tracking waste" report on separated waste, not to mention the third edition of the Code of Ethics, which were distributed to the entire workforce together with the House Organ.

Among the special inserts published to promote information and initiatives of particular interest for employees, of special interest are the biennial Internal Climate Survey and the special December 2014 edition to celebrate 100 issues of the House Organ: this special edition gathered the contributions of a number of employees in order to celebrate an important tool that by embracing information, orientation and involvement has accompanied the progress and growth of the company and its workers over these past 12 years.

General interest articles, meetings and events also continue to be published in the House Organ.

The "Zoom" photography talent competition was organised by the Group to promote its daily work and activities. The competition allowed employees to enhance their creativity and their passion for photography. 350 photos were loaded in 7 months on the website dedicated to the competition (www.zoom.gruppohera.it). The best works were voted by the public and by a jury of experts and 28 prizes were awarded. The website that promoted the talent competition counted 55,600 accesses. A total of 96,940 votes were submitted by the public: the initiative was also spread through articles in the House Organ, posters and news on the intranet. The External Relations Department that creates

the desk calendars for all Group employees used the Zoom photos for year 2015 in order to enhance the work and experience of the Group's employees.

The fifth edition of Bimbi in Hera (Children at Hera) was successfully held in 2014. The party was organised at the main corporate offices with activities designed to open the doors of Hera to employees' children and show them where their parents work. The initiative involved a total of over 300 children and was extended to AcegasApsAmga workers, who attended in great number in the facilities of Padova, Trieste and Udine.

Agreements for free or reduced entrance fees to exhibitions, shows and concerts were also set up: for example, the music festivals of Musica Insieme, Bologna Jazz Festival and Ravenna Festival.

The internal communication channels widely spread the agreements reserved for Hera Group employees, such as the one entered into with Italo for purchasing discounted tickets or Microsoft for purchasing Office Professional Plus 2013 for personal use at very attractive conditions.

The project for the promotion of nutritional education, coordinated by the Facility in collaboration with the canteen provider started by launching a dedicated web space (on the corporate portal) and with articles in the House Organ. As usual, workers and their families particularly appreciated the recreational and sporting gatherings organised in collaboration with the employee recreational associations to facilitate meeting and integration amongst co-workers from different areas. The long skiing weekend with the eighth edition of the "Hera Ski Adventure" giant slalom counted 400 participants and was extended to the workers of Padova, Trieste, Udine and Gorizia.

Recreational associations

Socialisation and interpersonal relations among Group workers are facilitated by the opportunity to take part in recreational activities which are promoted throughout the various areas by recreational associations. These associations organise cultural, sports, tourism and recreational activities, allowing workers to benefit from special commercial agreements and take part in the organisation of dinner parties, outings, Christmas and carnival events, competitive sports events, fishing competitions and ski excursions. These associations also provide members with theatre season tickets and book-lending services. Furthermore, the associations contribute a portion to book spending on the part of student workers and the children of employees and other discounts are provided for sporting activities and from several businesses. The associations are run on the basis of budgets and yearly programmes: they are managed independently by a Management Board whose members are elected directly by the association members. Hera contributes to the activities of the associations by guaranteeing the financial resources provided for by national collective labour agreements and locally stipulated agreements and provides space for recreational activities or for management of these activities which are promoted also through the internal communications instruments in order to guarantee greater visibility.

Excluding AcegasApsAmga and Marche Multiservizi, 5,169 employees were members of the associations and, in 2014, the activities of the associations were financed with contributions by the company (approximately Euro 605 thousand) and the employees (Euro 19 thousand). Participants in the activities organised by cultural associations amounted to 18,568.

Case studies for employees

Workforce

Consolidation of Hera S.p.A.'s SA8000 management system

During 2014, the SA8000 management system certified by DNV GL was consolidated. In 2014 Hera S.p.A. passed the 2nd inspection for maintenance

(unannounced, as envisaged by the system) in February 2014. During this second inspection, DNV GL closed all the findings apart from an opportunity for improvement and opened 5 findings all classified as opportunities for improvement.

In September 2014, Hera S.p.A. passed the third periodical inspection for maintenance which for the first time included the interview of employees.

Even in the third case, the outcome was positive: it was pointed out that the findings of the previous inspection had been corrected and the inspection was concluded with only three opportunities for improvement. The measures to be taken to comply with the opportunities for improvement have all been set up.

Hera “teach you a job... at school”

One of the development topics of the Scuola dei Mestieri is **“Hera teaches you a trade... at school”**, an innovative project for disseminating and developing corporate technical knowledge. In its second year, the project is included within the scope of the HerAcademy training activities and its aim is to improve the management of corporate knowledge. It also intends to promote the development of stable networks with various Technical Institutes of Emilia Romagna (presently based in the areas of Forlì, Modena and Ravenna) and to enhance the capital of local areas of reference, through the co-planning of specific teaching programmes envisaging the participation of Group resources also in terms of teaching.

HeraSolidale: company and workers together for a common charity goal

The aim of HeraSolidale is to promote support among Hera workers for voluntary associations based in the areas in which Hera operates and which stand out the most due to their commitment. This initiative was introduced in December 2013 thanks to the idea of an employee: Massimiliano Biagini. The project allows workers to donate from Euro 1 to Euro 5 a month directly from their pay packet in support of these associations and their charity projects. The 9 associations were chosen by the workers after putting forward over 650 names. After checking that the associations were based locally, the company then selected the associations with the most votes. Donations by workers start on the month following the month of subscription and will continue until December 2015 (unless the worker decides otherwise). The associations will have to provide accurate reports detailing the activities and projects put in place thanks to the donations. The company will supplement the donations taken from the workers’ pay packets with a further sum, thus achieving an important charity goal. In December 2014, members amounted to 744 and the funds gathered totalled Euro 13,600 euro.

Diversity and equal opportunities **“Positive Return Policies”**

The main objectives of the “Positive Return Policies” project, launched in 2013 and beneficiary of partial funding from the Presidency of the Council of Ministers (pursuant to art. 9 Italian Law 53/2000) amounting to Euro 257 thousand, include the development of actions to achieve a work-life balance and of supporting mechanisms for those who take maternity, paternity or parental leave.

The main actions regarded specific training initiatives to support return to work, agreements with private crèches and awareness raising actions aimed at changing the company’s culture with respect to work-life balance. In 2014, 37 people were involved in on-the-job training; 35 people were involved in group coaching or individual counselling initiatives. Crèche services in all local areas were proposed to employees in 2014. During the second half of 2014, an information-gathering plan and activities for checking the effectiveness of the measures taken were carried out.

The Hera crèches: a work-life balance experience

One of the most significant actions to favour a work-life balance within Hera is the experience of company and intercompany crèches, which have been open since 2007: there are five active crèches as of today, totalling 72 places available for the children of employees. “Tirithera”, which opened in 2007, was the Group’s first company crèche, established at the Cesena office. In 2009, the Imola intercompany crèche, “Il nido di Cornelia”, was opened by the Hera Group, Legacoop and Cna, with the contribution of the Province of Bologna, the Fondazione Cassa di Risparmio di Imola and the support of the Municipality of Imola. In October 2010, the “L’Hera dei Bimbi” intercompany crèche opened in Ravenna, which involved cooperation between Hera (lead management company), the municipality and local associations and cooperatives. As a result of the cooperation between the Emilia-Romagna region and the Municipality of Bologna, the intercompany crèche, Filonido, was opened in Bologna in September 2011. In 2012, Hera signed an agreement with ASP Valloni which runs the new intercompany crèche in Rimini, opened in December 2012 inside a facility of the Local Health Authority. During the 2014/2015 school year, 36 children of employees attended the Group’s company and intercompany crèches.

Training and professional development

HerAcademy: the strengthening of Hera Group’s Corporate University

The initiatives of HerAcademy continued in 2014: Hera’s Corporate University was founded in 2011 with the aim to enhance liaison and dialogue with institutional academic stakeholders and with national and international Corporate Universities. It also seeks to contribute to the creation and sharing of strategic know-how. Specifically, in 2014 a workshop was organised in Bologna entitled “Smart Communities and Local Development: the cities of tomorrow”. Furthermore, the third edition of the university orientation initiative was held for the children of Group employees approaching university enrolment. The event took place at the Department of Chemistry of the University of Bologna, thanks to the contribution of academic guests and some Group Directors. A Job Orientation initiative was also developed to support the children of employees approaching the employment market: this activity was organised also thanks to the resources of the Personnel and Organisation Department.

The project for the development of potential

In line with 2013, the participants of the first edition were involved in inter-company courses in Italian and foreign companies, in order to achieve best practices in their sectors and spheres of competence. The main results of their experience were presented to the Management Review. Some of the 94 participants in the second edition took part in a training and development programme and were involved in a series of initiatives envisaging different contents and methods (classroom work, experience-based activities, online contents). The programme is included among the Group’s Leadership Model activities, with particular reference to the key element “Orientation to Excellence”, the in-depth focus for 2014. The training methods were based on the use of innovative tools alongside classroom training and experience-based approaches to improve their ability to ask for and give feedback and to strengthen their development and self-development skills. Overall, 90 women and 104 men participated in the project.

Health and safety

Hera improves the safety of waste collection vehicles thanks to the DST project

The issue of safe driving was also developed through the “DST- Drive System Tool” project which uses a measurement box to record the driving styles of the drivers of waste collection vehicles in order to plan subsequent training/incentive programmes.

As planned, in 2014, the DST was installed on board the waste compactors, improving the overall safety of the vehicles.

This innovative system:

- allows safer driving of waste collection vehicles which are subject to continuous stop-and-go driving under heavy lifting conditions, leading to a 15% drop in work orders due to accidents or negligence in 2014;
- safeguards vehicle integrity allowing it to operate in optimal conditions (12% less maintenance costs compared to 2013);
- reduces related environmental impacts by saving fuel with 10.3% reduction compared to 2013.

In 2015, the Group aims to consolidate use of the DST - Drive System Tool and to extend it to AcegasApsAmga in order to make the performance of its waste compactors more sustainable.

Increasing prevention with Hera and ANT

In 2014, Group employees were involved in around 400 free preventive check-ups, thanks to the cooperation between the Group and Fondazione ANT: this opportunity was extended to all AcegasApsAmga employees (Padova, Trieste and Udine). Melanomas and thyroid neoplasms were thoroughly checked. Workers booked the check-ups by phoning the ANT free phone number directly.

Remuneration and incentives

Sustainability in the management bonus system and in the performance bonus

Aspects that refer to sustainability are present in the bonus system for managers and middle managers and the systems for the determination of the performance bonus used by the Group. The performance bonus is influenced by indicators that are connected to quality, work and service safety and the environment while the incentive system, which is connected to the balanced scorecard, provides for a part of the incentive to be connected to the achievement of sustainability projects.

In 2014, 20% of the variable remuneration of Group managers and middle managers was linked to sustainability project objectives (improvement of quality, environmental impact, image, personnel involvement, professional development and involvement of stakeholders). A maximum of 25% of the performance bonus for managers, white-collar workers and blue-collar workers is related to quality, environmental and occupational safety objectives.

Shareholders and Financial Institutions

Hera's shareholder structure is particular among Italian utility companies, as it does not have one shareholder with absolute control while its shareholder base consists of:

- more than 23,000 private Italian and foreign investors (individuals and legal entities active in non-financial businesses);
- 198 public shareholders (mainly Municipalities within the local area of reference);
- 500 professional investors (consisting of legal entities operating financial businesses, such as insurance companies, banks, trusts, banking foundations, mutual funds, pension funds and hedge funds).

Hera's commitment toward the investors

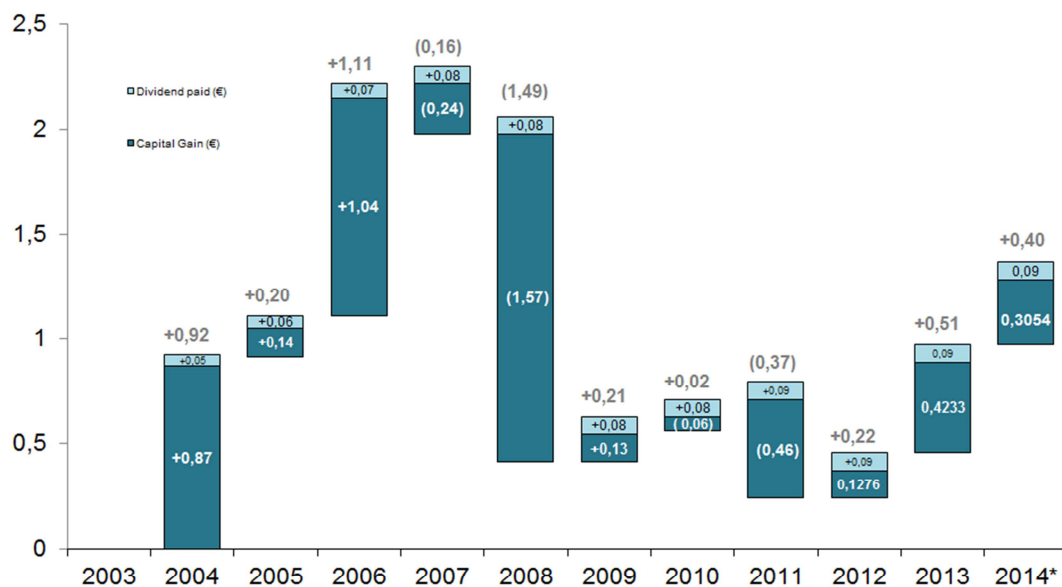
Provide full satisfaction and transfer the value created

Hera places the quality of the services managed, the streamlining of the management and the growth by lines, including external, at the centre of its strategic approach, maintaining a balanced development of the activities of its business portfolio. The stability of these strategic policies over time, the handling of the risk and the sustainable approach have contributed towards producing economic-financial results constantly and interruptedly on the up for 12 years now, despite the upsets in the external scenario.

In order to transfer the creation of value produced to the investors, Hera undertakes to handle the influential activities on all the main value drivers relating to the stock (dividends, value, risk, liquidity and volatility of the shares listed on the stock exchange, governance and dialogue).

These activities have facilitated the creation of value for the shareholders with a total shareholders' return of +125% of the IPO; the creation of value for the shareholders has always remained positive in these 12 years despite the collapse of the market registered following the crash of Lehman Brothers in 2008, with the sovereign debt crisis of the peripheral European countries in 2011, and generated a return for the shareholders higher than the average ones registered on other stock in the sector.

Total shareholders' return from the IPO



*updated as at 30/12/2014

During 2014, Hera stock reported a positive performance of +18.2% (passing from Euro 1.65 at the start of the year to Euro 1.95 per share), going against the trend with respect to the majority of comparable listed securities in the sector (Acea, A2A, Iren). The share performance highlighted resilience with respect to the drop in the general Italian stock market index in the second half of the year, which closed with a negative performance of -0.2%.

Official share price and average traded quantities in 2014

	QI	QII	QIII	QIV
Official price at close of period (Euro)	2.10	2.08	2.07	1.95
Average volume traded (thous.)	2,331	2,827	1,613	1,649
Average volume traded (in thousands of €)	4,308	5,906	3,286	3,283

The positive and constant performance of the stock consolidates the upwards trend already registered in the 2 previous years, which saw an increase in listed prices and total shareholders' return with a double-figure percentage: +20% in 2012, +42% in 2013 and +24% in 2014.

The listed price of Euro 1.95, struck at the end of 2014, corresponds with a market premium, in the valuation with respect to the average of the listed securities of the sector, both in terms of multiples of the Gross Operating Margin (with an implicit EV/Ebitda multiple of 6.6 times with respect to an average of the comparable securities of 5.7 times) and in terms of multiples on the profits (with implicit S/S 2014 of 19.5 times with respect to an average of the comparable securities of 11.8 times).

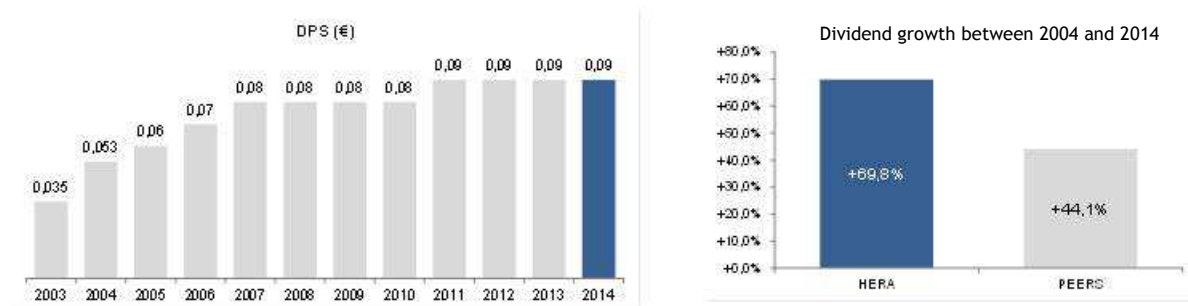
These positive returns reflect the prospective future growth of the company results and the features of the stock, which are subject to continual attention by Hera so as to make the investment interesting for Hera shareholders.

The commitments vis-à-vis the investors in terms of dividends

Create value in order to ensure the yield of the capital

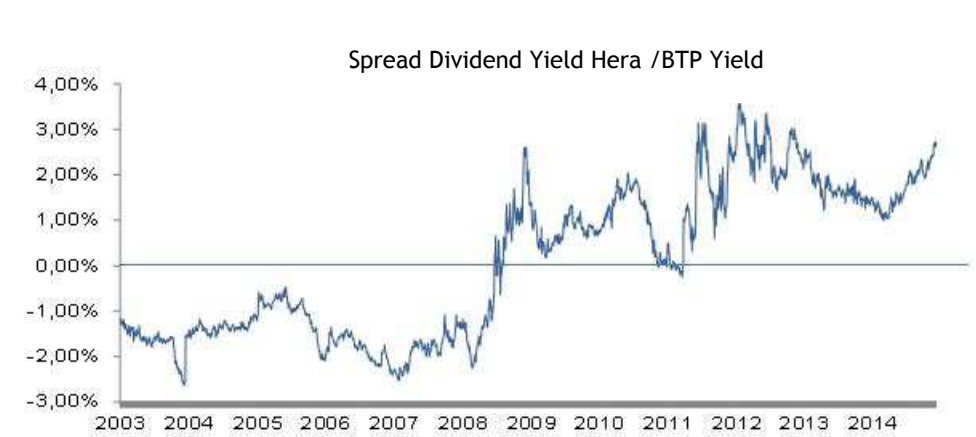
The **dividend policy** is identified as the most important component of the remuneration of the invested capital: it constantly and increasingly ensures a flow

of payments accumulated by stock market listing equal to over Euro 920 million, without comparison in the multiutility sector in Italy.



The peers considered in the analysis are Acea, A2A and Iren.

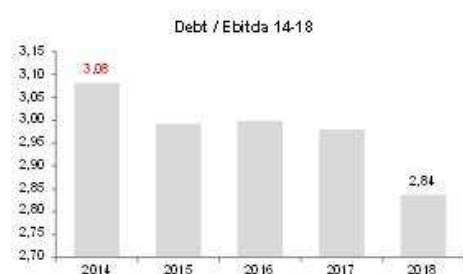
The comparison between the trend in the dividend return (yield) relating to Hera with the 10-year BTP yield discloses a progressive increase in the yield of Hera stock in 2014, despite the increase in its listed prices.



In the five-year business plan, the dividend policy adopted by Hera led to a dividend of a minimum of 9 euro cents for each year until 2018. This clarity of prospects stands out from the policies followed by the majority of the competitors with policies based on a pay-out ratio, which condition the dividend in relation to the economic-financial results achieved in the future.

The Hera dividend policy is deemed sustainable in the opinion of the financial analysts, who highlight the coherence of the same with the positive cash generation prospects and a further improvement in the financial-equity solidity, already today among the best in the sector.

Prospective financial soundness



The stock once again tested the listed prices before the ex-dividend date (2 June 2014) already on the fifth day after the ex-dividend date supported by the strong appreciation of the Group's growth prospects.

Complete transparency with the shareholders on the creation of value

Communicate in real time and accessible to all, to reflect the value created on the stock

Hera provides the market with significant economic-financial information for the purpose of facilitating a correct assessment of the same and transferring the value generated by operations to the listed shares.

The five-year **Business Plan**, which represents the main communication of interest for the shareholders, is up-dated annually and communicated promptly to the financial community together with the **final annual** and **quarterly results**.

In order to ensure the shareholders **symmetrical and transparent information**, Hera observes a black out period of 2 weeks before the publication of the results and the business plans: furthermore, all the price sensitive disclosures are divulged in real time to prevent disparity of information among the investors. The communication takes place in various formats so as to fully share the disclosure and satisfy the needs of all the categories of investors (institutional, SRI, private and retail, public institutions), ensuring equal access to the main information both of an economic- financial and social and environmental nature.

During 2014, dealings with the financial intermediaries were particularly intense, so as to facilitate them in the divulgation to the investors of precise and up-to-date disclosure on Hera and further the extension of the research of their **study units**, so as to ensure the Group a variety of independent and professional assessments. During 2014, new studies were launched on Hera by Goldman Sachs, Banca Imi, Fidentiis and Mediobanca, doubling the coverage of the stock with both Italian and international institutes. The analysts have expressed a consensus of opinions and assessments which has continued to rise during the year (+44%, passing from an average target price of Euro 1.74 to Euro 2.51 per share). Certain new studies have introduced discontinuity with the past, also including the value expected from the sector consolidation activities carried out by Hera in their assessments, being a driver which has supported the creation of value as from the establishment of the Group. The studies thus offer an assessment of the potential for the appreciation of the stock considering both the sector consolidation prospects (+42%, with an average target price of Euro 2.78) and exclusively considering the systematic growth prospects (+25%, with respect to the price of Euro 1.95 at the end of 2014 with an average target price of Euro 2.44).



The consensus of the analysts does not include negative recommendations and around 89% of the opinions are positive. More than half the analysts include Hera among the best investment opportunities offered by the Italian market.

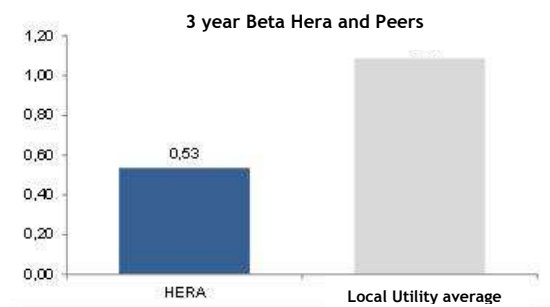
The commitment to reduce the investment risk

Constant attention to all the risk components associated with the stock, in order to win over the confidence of an increasingly greater number of investors

Also the risk components associated with the trend of the stock on the stock market, such as the volatility of the listed prices and the liquidity of the deals on

the market, are carefully monitored by Hera. Once again in 2014, Hera stock disclosed a **volatility index** of the listed prices (Beta) more conservative than the average of the shares in the sector.

Volatility index	HERA	Local Utility average
Beta 5 years	0,68	0,96
Beta 3 years (weekly)	0,53	1,09
Beta daily (180 days)	0,58	0,79

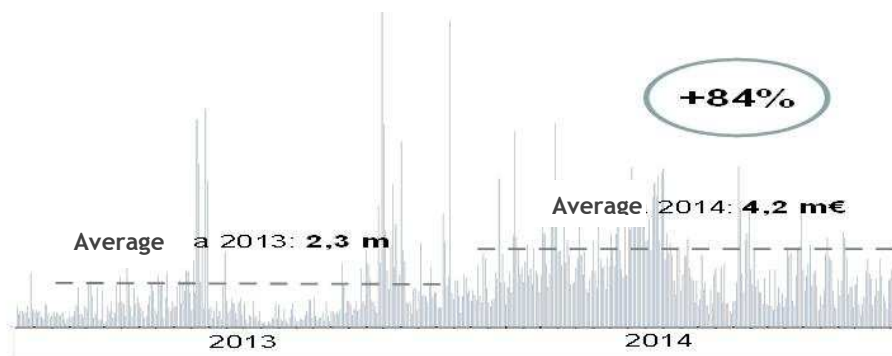


Source: Thomson Reuters - The peers considered in the analysis are Acea, A2A and Iren.

This characteristic is consistent with a series of specific company factors, such as the maintenance of a low risk profile in the strategic management choices and of the asset portfolio managed, which have generated results stably on the up despite the external economic difficulties: the earnings per share rose on average by +7.5% from the IPO, compared with growth in Italian Gross Domestic Product essentially nil in the same period.

Daily average dealing of the stock rose 40% in volume terms. This increase is the reflection of a greater free float (equal to 42% at the end of 2014), obtained by means of the share capital increase of 78.5 million shares carried out at the end of 2013 and subscribed by professional investors more active on the financial market.

Value of trading for 2014 and 2013 compared (mln euro)



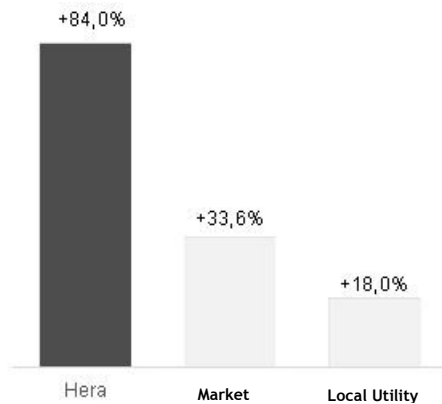
The greater **liquidity of the daily trading** also made it possible to draw the values of the sales orders closer to those of the purchase orders, revealing a lower spread (0.38%) with respect to the average of the other securities in the sector (0.43%). A more consistent comparison with the securities not included in the FITSE MIB index (such as for example Acea and Iren) discloses an even more favourable condition (0.38% with respect to 0.56%).

Supply and demand delta	Spread%
HERA	0,38%
Local Utility average	0,43%

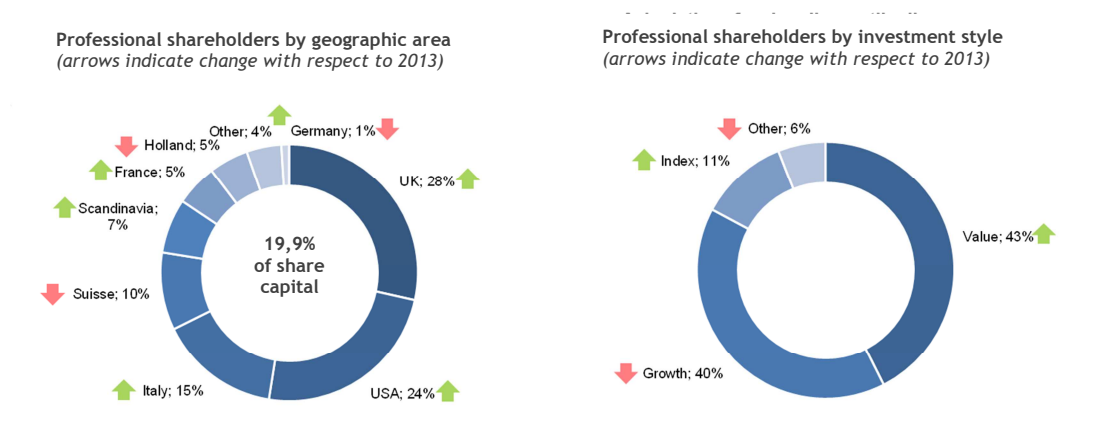
The activities for handing relationships with the investors contributed towards the progressive consolidation of these characteristic aspects of the Hera stock.

Thanks to an improvement in the perception of the Italy country-risk by foreign investors, which was reflected in the reduction of the 10-year BTP spread with respect to the Bund between the end of 2013 and the first half of 2014, a return of foreign capital on the Italian market was witnessed. Activities involving **ongoing encounters with professional investors**, with different investment styles and originating from different geographic areas, were able to attract foreign capital for Hera stock to a greater extent than the average of the markets and its peers.

2014 increase in the equivalent value of trading



During 2014, an increase in professional shareholders was witnessed in almost all the main international financial markets, with a heightening of investors who present investment styles focused on undervalued securities (value) and who seek returns greater than the average (yield).



The professional shareholders considered are just the investment Funds; financial companies, foundations, banks and insurance companies and trusts are excluded from this graph. The overall total comes to 32.2%.

In the right-hand graph, Other includes: equity edge, hedge fund, momentum specialty, yield.

Source: Thomson Reuters

The diversification of the institutional investors is an important component for facilitating an on-going evolution of the shareholding structure and a harmonious fluctuation of the listed prices of the stock over time.

Intense dialogue and feedback activities with the investors (with more than 400 contacts and encounters a year) has also targeted the improvement of the

liquidity of Hera stock, launching new relations with professional investors with investment styles in keeping with the Group's equity story (targeting).

Also dialogue with socially responsible investors (SRI) was more intense, with the intention of capitalising the quality of the multistakeholder approach to management in the value of the stock. Senior management had more than 30 forms of contact with SRI financial operators among the most important in the category in Europe.

For the purpose of reaching an increasingly wider number of sustainable investors, intense relationship activities with specialised financial analysts (CDP, Vigeo, B2 Axioma, oekom) was again furthered this year on sustainability aspects

The Group's stock is listed in three ethical indexes, ECPI Ethical Index EMU, Kempen SNS Smaller Europe SRI Index and Axia Ethical, which have the purpose of selecting excellent companies from the standpoint of business sustainability in order to facilitate the investment choices of the SRI funds. This investment approach is based on the assumption that the companies with sustainable management, from an environmental standpoint, as well as with regard to the dealings with the stakeholders and the corporate governance, obtain significantly higher results than their competitors over the long-term.

The investment in the communication activities has spread awareness of Hera over time care of many investors, who have been able to verify stability of results, constancy attention-wise and continuity of the relationship: these characteristics are functional for the consolidation of both rising levels of daily average trading and a distinctive reliable reputation in the sector, which without doubt represents an intangible asset for all the body of shareholders.

Ethical indexes in which Hera stock is present



The composition of the shareholding structure

Widespread, international shareholding structure lacking shareholders with absolute controlling interests

A singular aspect in Hera's history is that since its establishment (in 2002) almost 50% of the growth in the results in the last 12 years has taken place applying a merger model which has involved more than 20 companies in the sector, and has led the Group to be a leading player in the consolidation process for the sector in Italy. All the merger transactions, financed mainly by the issue of new shares, almost doubled the overall number of shares representing the share capital, which from 789 million in 2002 (year of establishment of the Group) became 1,490 million at the end of 2014. The dilution of the equity investments of the shareholders, consequent to these transactions, was matched by average growth in earnings per share of +7.5%, creating value for the shareholders by means of the extraction of the synergies and the increased economies of scale. The Group's capitalisation at the end of 2014 reached almost Euro 3 billion (with respect to the Euro 1 billion in 2003), positioning itself in 31st place among the listed Italian companies and bypassing around ten companies included in the FTSE Mib index, which groups together the 40 most important of the stock market list (in terms of capitalisation and daily volumes traded).

The expansion of the shareholding structure maintained a constant balance between the component of private and public shareholders, and extended the diversification of the shareholders both in terms of number and in terms of geographic origin.

As of the ex-dividend date, the Hera shareholding structure is spread over around 24,000 shareholders and stands out in the sector due to the absence of individual shareholders with absolute controlling interests; these characteristics are elements which contribute the most to granting stability to the shareholding structures, facilitating the development via consolidations of the sector and significantly limiting the **governance** risks for the minority shareholders.

Shareholders

No.	2012	2013	2014
Municipalities and other public Entities	187	209	198
Professional investors	365	404	500
Private investors	20,483	23,722	23,082
Total	21,035	24,335	23,780

Figures refer to the dividend payment date. Source: Hera processing of data from Servizio Titoli S.p.A.

As at the ex-dividend date at the start of June 2014, 58.0% of the share capital was divided up between around 200 public bodies: the majority holding - just under 10% - was held by the Municipality of Bologna. The public component of the shareholding structure has maintained control over time of the majority of the shares and, by means of a corporate shareholders' agreement which brings together around one hundred Municipalities and binds a number of shares equal to 51% of the share capital, appoints the majority of the Board members.

Shares held (breakdown)

%	2012	2013	2014
Municipalities and other public Entities	60.9%	61.3%	58.0%
Professional investors	28.6%	27.8%	32.2%
Private investors	9.5%	10.1%	9.8%
Treasury shares	1.0%	0.8%	0.9%
Total	100%	100%	100%
Total shares (million)	1,115.0	1,342.9	1,421.3

Figures refer to the dividend payment date. Source: Hera processing of data from Servizio Titoli S.p.A.

The shareholding structure, as of the ex-dividend date, shows a greater percentage of professional investors, passing from 27.8% to 32.2%, due to the share capital increase subscribed mainly by private shareholders. This led to a simultaneous reduction in the percentage of Public Bodies (despite having essentially maintained the number of their shares, passing from 822 to 817 million shares in 2014).

As per the resolution adopted by the shareholders' meeting, Hera manages a treasury share buy-back plan, in existence since 2006 and renewed on 27 April 2014, for a total amount of Euro 80 million and a duration of 18 months. The plan, mainly aimed at financing small extraordinary finance transactions, was exercised in a functional manner so as to reduce the volatility of the listed prices of the stock with the purchase of progressively greater volumes in line with the increase in the negative performance with respect to the market trend.

Shareholder breakdown as at 31 December 2014

%	2013	2014
Municipality of Bologna	10.7%	9.7%
HSST S.p.A.	9.8%	9.4%
Con. Ami	7.4%	6.9%
Ravenna Holding	6.1%	5.8%
Municipality of Trieste	5.1%	4.8%
Municipality of Padova	5.1%	4.8%
Municipality of Udine	N/A	3.0%
Holding Ferrara e Servizi Srl	1.7%	1.6%
Rimini Holding Spa	1.7%	1.6%
Municipality of Cesena	1.6%	1.6%
Livia Tellus Governance S.p.A.	1.5%	1.5%
Other Municipalities and Entities	6.8%	6.8%
Non-public shareholders	42.5%	42.0%

HSST S.p.A. (Holding Strategie e Sviluppo dei Territori modenesi), is comprised of: Frignano Association of Mountain Communities, Unione terre dei Castelli, Municipality of Castelfranco Emilia, Fiorano Modenese, Formigine, Frassinoro, Guiglia, Lama Mocogno, Maranello, Marano sul Panaro, Modena, Montefiorino, Palagano, Pavullo nel Frignano, Polinago, Riolunato, San Cesario sul Panaro, Sassuolo, Serramazzoni, Sestola, Zocca and Acquedotto Dragone Impianti.

CON.AMI is a consortium comprised of the Municipalities of Conselice, Massa Lombarda, Sant'Agata sul Santerno, Medicina, Castel Guelfo di Bologna, Castel San Pietro Terme, Dozza, Imola, Mordano, Solarolo, Bagnara di Romagna, Castel Bolognese, Faenza, Riolo Terme, Brisighella, Casalfiumanese, Borgo Tossignano, Fontanelice, Castel del Rio, Fiorenzuola, Marradi, Palazzuolo sul Senio, Casola Valsenio.

Ravenna Holding comprises the Municipalities of Cervia, Faenza and Ravenna.

Holding Ferrara Servizi S.r.l. is wholly owned by the Municipality of Ferrara.

Rimini Holding S.p.A. is wholly owned by the Municipality of Rimini.

Livia Tellus Governance S.p.A. is wholly owned by the Municipality of Forlì.

On 1 July 2014 (after the ex-dividend date), a further merger transaction was finalised, with a share capital increase of around 69 million shares, in relation to Amga Udine, the last local multiutility company active in the Friuli region not included in the scope of the Group. This transaction led to an overall number of 1,490 shares at the end of 2014.

The so-called “**floating**” stock therefore comprises 42% of the share capital and is mainly held by both Italian and foreign **private and professional investors**. As at the ex-dividend date, the Hera shareholding structure was made up of professional investors for 32.2%: this percentage includes financial companies, foundations, banks, insurance companies and Italian and foreign trusts and held a majority holding (more than 75%) of the floating stock.

This category contributed towards significantly increasing the daily share trading, facilitating the inclusion of Hera in the short list of securities to be included in the main stock exchange index (FTSE MIB). The possible inclusion in the index would make it possible for many investors to access and/or increase the investment in Hera stock, and would consequently encourage a further lowering of the risk associated with the stock increasing the liquidity of the trading and the diversification of the shareholding structure.

The majority private professional shareholder, for some years now, is represented by the finance company Lazard Asset Management. The number of private investors rose in 2014 (from 405 to 500) partly thanks to the targeted development of relations.

As from the time of listing, another **stable unit of professional investors** was created, brought together in a shareholders' agreement, representing around 8.3% of the Hera shares: this voting syndicate brings together banking foundations and private companies belonging to the reference areas.

Around 9.8% of the shares, equating to approximately 137.7 million shares, is held by more than 23 thousand private investors, which include individuals, companies and co-operatives, mainly Italian. The majority of the shares are held by individuals (around 100 million shares) and are the type which more than any other increased the number of shares with respect to the previous year (+5.5 million shares). This type of investors discloses considerable loyalty-retention and is an important element of stability for the Hera shareholding structure; more than half of the individuals have in fact held Hera shares for at least 4 years and the percentage rises up to 81% for residents in the reference area (almost half of the category) and which are therefore Hera "customers". The figure can be appreciated all the more considering the positive total shareholders' return accumulated over the last 4 years (+64% since 2010).

The relationship with the private investors is characterised by transparency. In fact, for the last 10 years a newsletter has been published on the website, on a quarterly basis, which illustrates the business plan, the financial statement results and the interim reports. Each number of the newsletter also contains a summary overview of the stock performance, the opinions expressed by independent financial analysts and the salient events in the period which may have had effects on said stock.

Furthermore, top management took part in meetings with the main retail investors of the Group, so as to respond in an even more transparent manner to the questions of the same and present the prospects for creating value for the Group.

Corporate Governance and safeguards for shareholders

Clear, complete and prompt information is a guarantee for all the Hera shareholders

Since its establishment, Hera has adopted a Corporate Governance system based on the traditional model, which envisages a Board of Directors made up of executive and independent directors, in order to **guarantee protection and return on invested capital for shareholders and fulfilment of stakeholder interests** in line with the company mission.

Hera's activities are handled by management in compliance with the **Code of Ethics** adopted by the Group and aligned with the **Code of Conduct** promoted by Borsa Italiana S.p.A..

Attention to the aspects of good governance and protection of the interests of the shareholder always finds fertile ground in Hera's management body, which promptly and without delay seizes any change to its structure which meets these objectives.

The Executive Chairman of the Board of Directors is entrusted with the authority to maintain relations with public and private shareholders, who he meets regularly together with the Chief Executive Officer, during two annual road shows, organised in Italy and abroad. The analysis of the stock trend and the suggestions emerging during the meetings held (feedback) are periodically reported to the Board of Directors, so as to guarantee that the on-going "direct" dialogue with the minority investors involves the highest management bodies of the Group.

During 2014, at the time of renewal of the BoD, the minority investors were able to verify a number of positive changes in governance. In the first instance, a reduction in the number of the Board members from 21 to 14 was made, safeguarding the representation of the minority shareholders. The renewal of the

BoD also saw - so as to guarantee continuity and sustainability in operations - the reconfirmation of Tomaso Tommasi di Vignano as Executive Chairman, and the appointment of Stefano Venier as Chief Executive Officer, previously Development and Market General Manager, employed within the Hera Group for many years.

A number of financial investment companies, specialised in governance aspects, are in constant and active contact with Hera, which receives and assesses their new applications boosting development towards the best practice of greater protection of the interests of minority shareholders.

Financial structure

The policy pursued vis-à-vis the financial institutions aims at fully transparent and correct information as part of its communication activities, with a balanced distribution of debt.

Net financial indebtedness

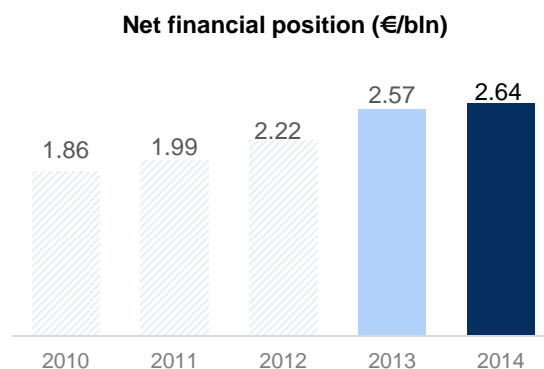
in millions of Euro	2013	2014
Cash on hand	926.9	834.5
Other current loans	84.9	45.2
Current financial indebtedness	-363.8	-550.8
<i>Net current financial indebtedness</i>	<i>648.0</i>	<i>328.9</i>
Non-current loans	52.6	83.6
Non-current financial indebtedness	-3,267.3	-3,052.9
<i>Net non-current financial indebtedness</i>	<i>-3,214.7</i>	<i>-2,969.3</i>
Total net financial indebtedness	-2,566.7	-2,640.4

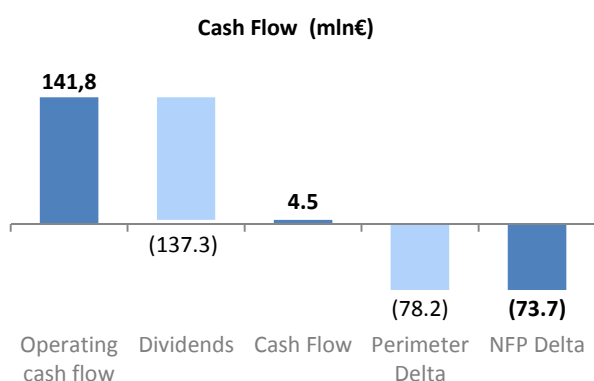
The analysis of the Group's financial structure shows a high level of available liquidity as at 31 December 2014 due to the raising of funds in the presence of the maturities for the repayment of the current debt and the TARI (refuse tax) collection management activities, around Euro 63 million, whose debt vis-à-vis the Municipalities was recorded under "Other current financial debt".

The current debt mainly comprises portions of bank mortgage loans falling due for around Euro 300 million, including the loan of Euro 180 million from the European Investment Bank (EIB), repaid in January 2015, financial accruals for more than Euro 60 million and the uses of current account credit facilities. The amount relating to non-current bank debt and bonds is mainly made up of bonds issued on the European market and listed on the Luxembourg stock exchange, (70% of the total), with redemption on maturity.

Total debt has an average residual duration of around 8.3 years, of which 62% comprises debts with maturity beyond five years. Please see the section "Financial policy and Rating" in the 2014 Annual financial statements for further details on the debt management strategy.

The net financial position rose from Euro 2,566.7 million in 2013 to Euro 2,640.4 million in 2014. This increase was essentially due to the inclusion of Amga in the scope of the Group and the acquisition of the entire equity investment in Isontina Reti Gas (which was then incorporated in AcegasApsAmga).

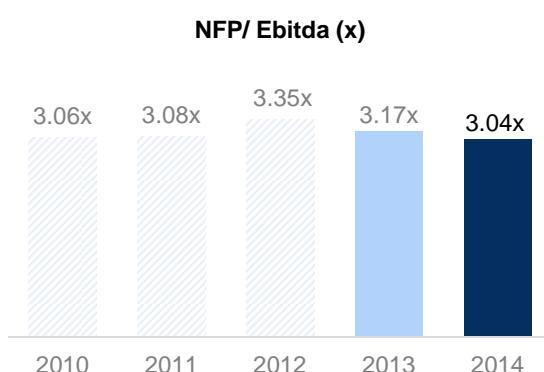




The Group's core activities were very positive and generated operating cash flows of Euro 141.8 million; these flows made it possible to fully cover the payment of the dividends, Euro 137.3 million.

The cash flow after the payment of the dividends was positive for Euro 4.5 million.

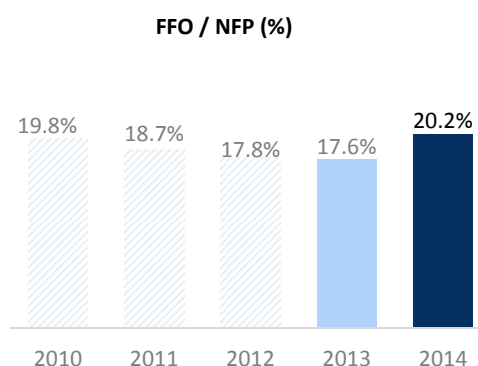
The change in the Net Financial Position (NFP), up Euro 73.7 million, is the consequence of the inclusion of other companies in the Group, after acquisition transactions.



The NFP/Ebitda ratio passed from 3.16 to 3.04, with an improvement of 0.12 with respect to 2013. The improvement in this index was mainly due to the positive operating activities, which ensure a more efficient coverage of the net financial position, ensuring greater financial flexibility, despite the increase being due to the extension of the scope of consolidation.

Partly thanks to this ratio, Hera has a 'Baa1' rating with a negative outlook from the rating agency Moody's and 'BBB' with a stable outlook from Standard & Poor's.

The Fund form operation (FFO)/NFP ratio rose 2.4 percentage points, confirming the Group's financial soundness. The improvement in the index was due to the generation of a positive cash flow which disclosed the ability to cover the financial obligations outstanding.



The green bond

Hera's financial policy serving the environment and sustainability

In July 2014, the Hera Group launched a green bond, with the aim of financing the sustainability investments, so as to contribute via its activities to an improved environmental quality.

The bond issue, availing of the euro medium term notes programme, for a total of 500 million repayable in 10 years, was illustrated to the investors and analysts via a roadshow which was staged in the main European financial marketplaces. The instrument is destined to finance or refinance projects linked to sustainability in 4

main spheres: the fight against climate change, reduction in emissions, quality in water treatment and the waste cycle.

The instrument envisages a coupon of 2.375% and a return on 2.436%. The orders received were mainly taken from investors resident outside Italy (75%) with France, Germany and the UK which reported the greatest percentages, and a predominance of asset managers. 69% of demand came from investors who have Environment, Social and Governance (ESG) among their investment criteria, so-called “sustainable” investors.

The Hera Group thus unveils, in Italy as well, a form of financing already used in Europe by other leading utilities, which places funding at the service of the environment, with resources which will then be specifically allocated to investments linked to improving the environmental performance in the area.

The list of the projects eligible for funding has been established by Hera on the basis of precise environmental criteria and subsequently confirmed by DNV GL to ensure the correct allocation of the funds. With regard to each sphere of the project, a set of indicators have been identified which reflect the environmental benefits associated with the individual initiatives. These indicators are shown within the various sections of the chapter “Environment and future generations” in this Sustainability Report.

Use of the funds received via the Green Bond (in millions of Euro)

%	Total funds raised	Number of projects	2006-2013 investments	Investments 2014	Unallocated funds
Increase in energy generation from non-fossil sources	53.8	9	53.2	0.6	-
Increase in energy efficiency	219.0	7	177.0	10.8	31.5
Increase in the use of waste-to-energy plants for the treatment of waste	173.1	4	173.1	-	-
Improvement of the water treatment plants	31.8	4	18.4	3.1	10.3
Increase in separate waste collection and reduction in the use of landfills	22.0	1	-	4.7	17.3
Total	500.0	25	421.6	19.2	59.1

Downstream from the fund raising, 25 projects were financed/refinanced, belonging to the categories indicated in the table presented above. The overall increase in projects financed in 2014 amounts to Euro 440.9 million, or 88% of total funding. The remaining portion shall be allocated in the next 9 years.

The Green Bond in Italy and Europe

Green bonds are those which associate environmental-type investments and activities with the funds raised in a clear manner. The investments are identified by very specific sustainability criteria: for example, the reduction in climate change, the efficient use of resources and renewable energy.

The first financial instrument of this type was issued by the World Bank in 2008 and for a modest amount, an equivalent value of US\$ 10 million. The success of this instrument was not so immediate: at least until the attention of the analysts was gained by the same World Bank, which via the IFC generated a US\$ 1 billion issue in 2013. Once again in 2013, the first green bonds issued by leading companies and the first European Green bonds appeared: Edf in France (for an equivalent value of Euro 1.4 billion) and Toyota (for an equivalent

value of US\$ 1.75 billion). In detail, the projects financed renewable energies and the production of electric vehicles.

2014 saw the proliferation of this trend, involving Europe in an important manner, where Gdf Suez issued a bond for US\$ 3.4 billion.

In Italy, the Hera Group was the first to launch this new financial instrument (for an equivalent value of 500 million) and opened the way up for other operators in the sector or otherwise. The bond was very successful, with applications for an equivalent value of around three times the amount of the bond. The applications for issues of this type doubled in 2014 when compared with 2013.

The environment and future generations

The area in which Hera is operational is not merely a geographic entity. Above all else, it is a primary source of social and environmental wealth, to be respected and protected for the future. Accordingly, Hera is committed to responsibly managing natural resources, improving its results and adopting increasingly efficient technologies with low environmental impact.

Objectives and performance

What we said we would do	What we have done
<ul style="list-style-type: none"> • Further reduce the use of landfills as a means of disposal for urban waste, while increasing separate waste collection. The objective was to reduce the amount of urban waste disposed of via landfills, including pre-treated waste, to 15% in 2014. 	<ul style="list-style-type: none"> • In 2014, municipal waste treated via landfills, including that which had been pre-treated, amounted to 12.9%, compared to 18.8% in 2013. •
<ul style="list-style-type: none"> • Further increase separate waste collection: from 52.6% to 55.0% in 2014 (from 54.0% to 56.6% excluding AcegasApsAmga). Relevant projects: <ul style="list-style-type: none"> - Launch the development of mini underground drop-off points in Bologna town centre (140 by 2016); • - Launch the separate collection of organic waste in the Municipality of Trieste. 	<ul style="list-style-type: none"> • In 2014, separate waste collection came to 54.0% compared with the 2013 figure of 52.6%. (from 54.0% to 55.3% excluding AcegasApsAmga). The Bologna and Trieste projects were launched. Thirty-seven mini drop-off points were opened in Bologna in 2014.
<ul style="list-style-type: none"> • “Cambia il finale” (Change the outcome) project aimed at reducing waste: monitor the recovery and reuse of bulky goods by local non-profit and charitable organisations. 	<ul style="list-style-type: none"> • The project was launched in March and led to the recovery of 458 metric tons of bulky goods with the involvement of 15 non-profit organisations.
<ul style="list-style-type: none"> • Continue the process for attaining ISO 50001 certification for Hera S.p.A. (certification audit by 2014) and define a plan of energy efficiency initiatives. 	<ul style="list-style-type: none"> • Hera S.p.A. was granted ISO 50001 certification in December 2014 and drew up an improvement plan with 46 energy efficiency initiatives expected to generate savings of 5,024 toe/year (3,725 net of the savings attained on third party premises).
<ul style="list-style-type: none"> • Extend district heating via the full use of energy deriving from waste-to-energy as well as the use of other renewable and similar sources: <ul style="list-style-type: none"> - increase the volume served by 2% in 2014 compared to 2013, also through new commercial offers; • - continue to pursue the Renewable Energies Hub Project in Ferrara. 	<ul style="list-style-type: none"> • In 2014, the volume served increased by 2% compared to 2013 and in October 2014 new commercial offers were launched with the onus on energy savings. The Renewable Energies Hub Project has been put on hold while we wait for the necessary circumstantial changes to take place. An alternative development plan has been drawn up.
<ul style="list-style-type: none"> • Finish the sewage and purification adjustment works in 7 additional areas for a total of 59,000 inhabitant equivalents (also through the conclusion of works at 3 treatment plants with a potential of 20,000 inhabitant equivalents) in 2014. 	<ul style="list-style-type: none"> • 2014 saw the completion of the adjustment works in 7 of the 8 areas for a total of approx. 42,000 inhabitant equivalents; the adjustment works in the remaining area will conclude in 2015.
<ul style="list-style-type: none"> • Launch the adjustment/extension work at the Servola treatment plant in Trieste. 	<ul style="list-style-type: none"> • The worksite for the reclamation of the Servola treatment plant in Trieste was opened. Work on the treatment plant will begin in 2015.
<ul style="list-style-type: none"> • Launch 3 new actions from the Rimini Seawater Protection Plan aimed at restructuring the city's sewage and purification system and conclude the work 	<ul style="list-style-type: none"> • The work pertaining to the 3 actions of the Rimini Seawater Protection Plan began, and the work relating to Progetto Isola concluded.

on the action launched in 2012 (Progetto Isola).	
<ul style="list-style-type: none"> • DST project: install driver assistance systems in the waste collection vehicles in order to reduce fuel consumption. 	<ul style="list-style-type: none"> • Driver assistance systems were installed in single-operator waste collection vehicles. There was a 10% reduction in fuel consumption following the installation.
<ul style="list-style-type: none"> • Continue to replace the company vehicle fleet with vehicles with reduced environmental impact. 	<ul style="list-style-type: none"> • The replacement of company vehicles with vehicles with reduced environmental impact continued. The number of vehicles with reduced environmental impact as a percentage of all company vehicles went from 17.1% to 18.5% (+85 vehicles).
<ul style="list-style-type: none"> • Extend the HeraLAB multi-stakeholder advisory committees in the remaining areas of Emilia-Romagna. 	<ul style="list-style-type: none"> • In 2014 HeraLAB was extended to three other areas (Bologna, Ferrara, Rimini) to take the total number of areas involved to 5.
<ul style="list-style-type: none"> • Implement the initiatives proposed by the LABs in the area of Ravenna and Imola-Faenza. 	<ul style="list-style-type: none"> • All of the initiatives proposed by the LABs in Ravenna and Imola-Faenza were launched. 7 initiatives proposed in 2014 were concluded.
<ul style="list-style-type: none"> • “Give a tree to your city” campaign: continue the municipal replanting measures for the achievement of the objectives in terms of compliance with the online bill. Plant an additional 600 trees in 2014. 	<ul style="list-style-type: none"> • 650 trees were planted in 15 municipalities taking the total number of trees planted to 1,155.
<ul style="list-style-type: none"> • Define and implement an applied research plan on production and use of energy from renewable and alternative sources technologies at the HEnergia experimental centre in Forlì. 	<ul style="list-style-type: none"> • In 2014 the first intermediate reports were drafted on the research activities as regards the technologies trialled: photovoltaic, solar cooling and hydrogen.
<ul style="list-style-type: none"> • Support the socially useful NPOs in the area identified by the workers within the sphere of the HeraSolidale initiative. 	<ul style="list-style-type: none"> • In 2014 approx. 14,000 euro was given to 9 non-profit organisations in the area served by the company. The company will supplement the donations of employees in 2015.
<ul style="list-style-type: none"> • Continue with the “Decoro Urbano” project with the further placement of 400 “street furniture” containers (skips/bins/igloo bins). 	<ul style="list-style-type: none"> • In 2014 the project saw the placement of a further 540 new containers. The activities to replace obsolete containers continued, as did cleaning, graffiti removal and extraordinary maintenance activities.
<ul style="list-style-type: none"> • Extend the Tracking Waste report in the areas served by AcegasApsAmga. 	<ul style="list-style-type: none"> • The “Tracking Waste 2013” report was extended to the areas served by AcegasApsAmga.
<ul style="list-style-type: none"> • Extend the publication of the emissions of the Pozzilli (Isernia) and Trieste waste-to-energy plants according to Group methods (half-hourly average updated in real time) to the web. 	<ul style="list-style-type: none"> • The emissions of the Pozzilli and Trieste waste-to-energy plants are available online, according to Group methods (half-hourly average updated in real time).
We shall	
<ul style="list-style-type: none"> • Open 3 industrial cogeneration plants and modernise the Barca cogeneration plant in Bologna. 	H
<ul style="list-style-type: none"> • Launch the project for the production of biomethane at the Bologna composting plant. 	H
<ul style="list-style-type: none"> • Energy efficiency: <ul style="list-style-type: none"> - Launch the Hera S.p.A. energy improvement plan: 3% reduction in consumption by 2017. - Extend ISO 50001 certification to AcegasApsAmga. - Publish a new report on energy efficiency. 	H
	A

<ul style="list-style-type: none"> • Sewerage and Purification - Adjust 2 urban areas (137,000 inhabitant equivalents), conclusion of works at the Cesenatico treatment plant and the Cattolica treatment plant. - Continue to implement the Seawater Protection Plan in Rimini: conclude the work on doubling the size of the Santa Giustina treatment plant, the Dorsale Nord and the first portion of the Dorsale Sud in 2015. - Servola treatment plant in Trieste: continue the adjustment and improvement works. 	H	A	
<ul style="list-style-type: none"> • Plan the revamping of the fume treatment system at Trieste waste-to-energy plant. 		A	
<ul style="list-style-type: none"> • Urban waste collection: - 56.9% separate waste collection in 2015. - Further reduction in the use of landfills (9% in 2018). - Continuation of the new separate waste collection project in Bologna. 	H	A	M
Extend the “Tracking Waste” report to Marche Multiservizi.			M
Launch HeraLAB in Modena and implement the 17 local initiatives proposed by the Labs and approved.	H		
Extend the “Un pozzo di scienza” (Science Well) and “La Grande Macchina del mondo” (The Great Engine of the World) educational activities to AcegasApsAmga.		A	
Support the 9 non-profit institutions identified by the workers within the sphere of HeraSolidale.	H	A	
“Give a tree” campaign: plant another 643 trees to reach 2,000 trees in 44 cities.	H		

* H: Hera; A: AcegasApsAmga; M: Marche Multiservizi

Energy production

Increase in the quota of electricity from renewable sources to 42%

The Group also continued to pursue its commitment to developing renewable and similar energy sources in 2014. More specifically, production at the hydroelectric plant in Bologna resumed, a cogeneration in service plant was opened in Modena.

The following table outlines the **net electricity production** of the Group’s plants. The energy net of additional consumption may not match that introduced into the grid as a part of it may be used in other production processes.

Figures of 2013 are effected by the new plants coming under the control of the company following the acquisition of AcegasApsAmga and the Pozzilli (Isernia) waste-to-energy plant by Herambiente in 2012.

Net electricity produced

MWh	2012	2013	2014
Waste-to-energy plants (51% renewable)	235,033	404,303	400,142
Combustion of landfill biogas	40,211	39,734	40,684
Combustion of landfill biogas in third-party plants	48,145	44,469	33,185
Combustion of digester biogas	7,090	17,543	21,161
Combustion of wastewater purification biogas	6,828	3,425	6,940
Biomass plant	38,765	71,260	69,727
Photovoltaic energy	9,929	11,359	11,529
Hydroelectricity	198	252	1,803
<i>Total renewable sources</i>	<i>386,198</i>	<i>592,346</i>	<i>585,171</i>
Cogeneration	402,444	357,042	248,578
Cogeneration in service	115,115	137,820	142,265
Turboexpanders	7,101	10,558	10,090
<i>Total similar sources</i>	<i>524,661</i>	<i>505,420</i>	<i>400,934</i>
Waste-to-energy plants (49% non-renewable)	237,093	403,052	397,671
<i>Total traditional sources</i>	<i>237,093</i>	<i>403,052</i>	<i>397,671</i>
Total	1,147,952	1,500,817	1,383,776

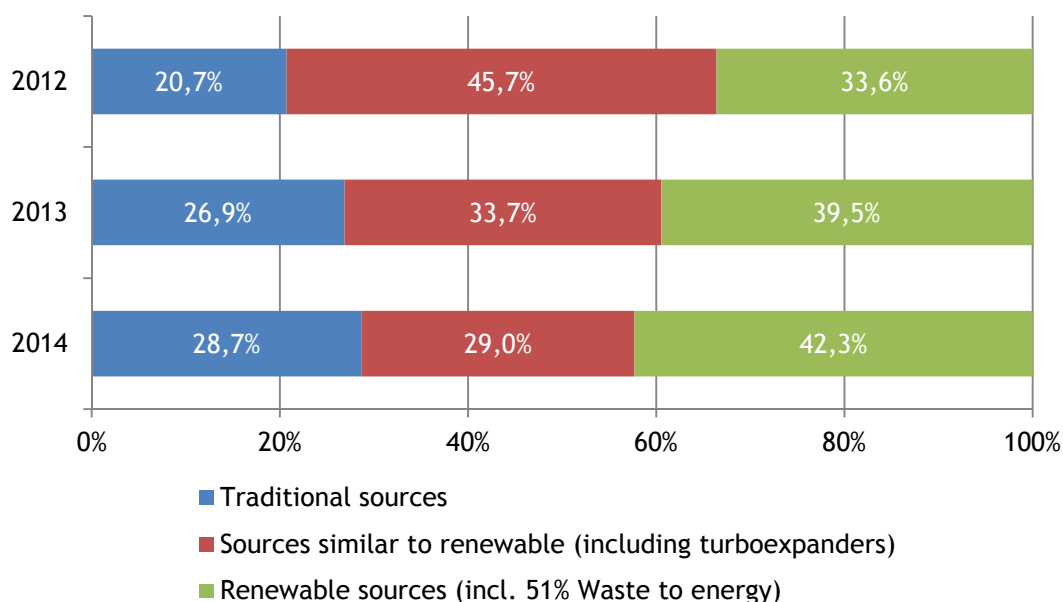
The net electricity produced by the Group plants fell by 7.8% due to: (i) a fall in production levels at the Imola plant as a result of the climate trend (-101,000 MWh), (ii) a reduction in the quantity of landfill biogas in third-party plants (-11,000 MWh). This reduction was partially offset by an increase in the quantity of biogas from anaerobic digesters and treatment plants (+7,000 MWh).

Electricity production from renewable sources came to 585 GWh (-1.2% compared with 2013) with a reduction in the Modena, Cesena and Imola landfills that was offset by the following increases:

- combustion of treatment plant biogas (+3,500 MWh): thanks to the performance of the Bologna treatment plant and the resumption of activities at the Savignano sul Rubicone treatment plant;
- combustion of digester biogas (+3,600 MWh): because of the performance of the Cà Baldacci and Voltana plants;
- hydroelectric plants (+1,500 MWh): thanks to the resumption of production at the Cavaticcio Bologna hydroelectric plant.

The production of electricity from similar sources went from 505 to 401 GWh because of: (i) reduced production at the Imola plant; (ii) reduced production at the Acer Barca plant connected with district heating; (iii) reduced production at the Granarolo cogeneration in service plant; this reduction was partially offset by: (i) the increase in production at the Bufalini Cesena plant; (ii) the increase in production at the Hera Energie cogeneration plant in Modena.

Net electricity produced



The amount of electricity produced from renewable and similar sources came to 71.3% of the total in 2014, slightly down compared with 2013 (73.2%) because of the above reasons; the remaining electricity produced has a high level of environmental sustainability as it is energy recovered from waste-to-energy transformation for the share exceeding 51%.

In 2012 incentives for the production of electricity from renewable sources through Green Certificates are awarded to plants fuelled by renewable sources, for which IAFR (plants fuelled by renewable energies) qualification is planned, and to cogeneration plants which fuel the district heating networks. In both cases, the quantity of incentivised electricity is not exactly equal to the amount of electricity produced. In the first case, for plants brought onto stream after 2007, multiplication coefficients were introduced which take into account the technology of the IAFR plant. For example, if landfill biogas is used, the recognition awarded is calculated by multiplying the energy generated by 0.8. In the case of non-agricultural biomass with a short supply chain, meanwhile, the energy is multiplied by 1.3.

For cogeneration plants, Italian Ministerial Decree of 4 August 2011 updates Legislative Decree no. 20/2007, redefining the cogeneration technologies, the calculation of cogeneration production and the performance of the cogeneration process in order to qualify cogeneration. The subsequent decree of the Ministry of Economic Development of 5 September 2011 determined a new support regime for cogeneration: this incentive is based on white certificates and is recognised by the Energy Services Manager, following recognition of the qualification of cogeneration, according to the actual primary energy savings made.

In the case of waste-derived electricity, the energy recognised for the purpose of the incentives, and to which the above-mentioned multiplication coefficients are applied, is limited to the biodegradable portion, as it is considered as biomass by European and Italian regulations. In anticipation of the definition of the most precise methods for calculating the biodegradable part (Ministerial Decree of 6 July 2012 defines the criteria for evaluating the biodegradable part for the new plants on a flat rate basis), current regulations indicate 51% as the part of waste to be considered in the case of waste-to-energy plants using urban waste downstream from separate waste collection. Therefore, 51% of both electricity and thermal energy produced from waste-to-energy transformation was considered in the calculation of the share of energy produced from renewable sources, applying the flat rate criteria. This percentage was applied to all waste

disposed in waste-to-energy plants (urban and special waste) and for all three years considered, in order to have consistent terms of comparison defined in accordance with the regulations in force. The one exception is Ravenna's waste-to-energy plant for special waste, whose production, with a biodegradability coefficient of nearly zero for treated special waste because of its origins in industrial processes, is considered 100% non-renewable.

The total installed electricity capacity of the Group's plants is equal to 321 MW, while their thermal capacity comes to 715 MW.

The electricity produced in 2014 by companies in which the Group holds investments and which are managed by Hera came to 286 GWh (share acquired by Hera). The companies in question are SET and Calenia Energia, in which Hera has an equity investment. SET and Calenia Energia manage two power stations in Teverola (Caserta) and Sparanise (Caserta); these two combined-cycle plants (CCGT) guarantee excellent performance levels and improved environmental compatibility compared with traditional oil and coal-fuelled power stations. In 2014 the carbon dioxide emissions from the two plants came to 425 g/kWh (Teverola) and 394 g/kWh (Sparanise); nitric oxide emissions came to 147 g/MWh and 68 g/MWh respectively.

Thermal energy produced

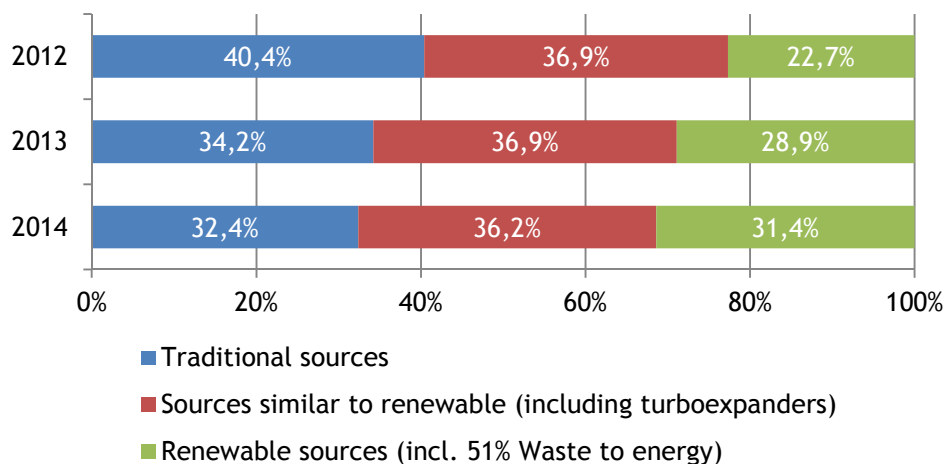
MWh	2012	2013	2014
Waste-to-energy plants (51% renewable)	68,250	72,656	58,881
Geothermics	68,564	71,415	78,527
Biomass plant	35,855	98,276	100,822
Combustion of treatment plant biogas	1,600	1,307	10,315
<i>Total renewable sources</i>	<i>174,270</i>	<i>243,654</i>	<i>248,545</i>
Cogeneration	172,433	179,929	143,782
Cogeneration in service	111,324	131,145	142,463
<i>Total similar sources</i>	<i>283,757</i>	<i>311,074</i>	<i>286,245</i>
Thermoelectric power stations	244,375	218,741	199,804
Waste-to-energy plants (49% non-renewable)	65,574	69,807	56,572
<i>Total traditional sources</i>	<i>309,949</i>	<i>288,547</i>	<i>256,377</i>
Total	767,976	843,275	791,167

There was a 6.2% reduction in the amount of **thermal energy** produced in the last year due to: (i) significant reductions in the amount of thermal energy produced by waste-to-energy plants that serve the district heating networks (-19% compared with 2013); (ii) a reduction in the energy produced in all cogeneration plants and thermoelectric power stations (-14% compared with 2013), both of which due to the reduction in demand for thermal energy among users as a result of the milder climatic conditions compared with previous years.

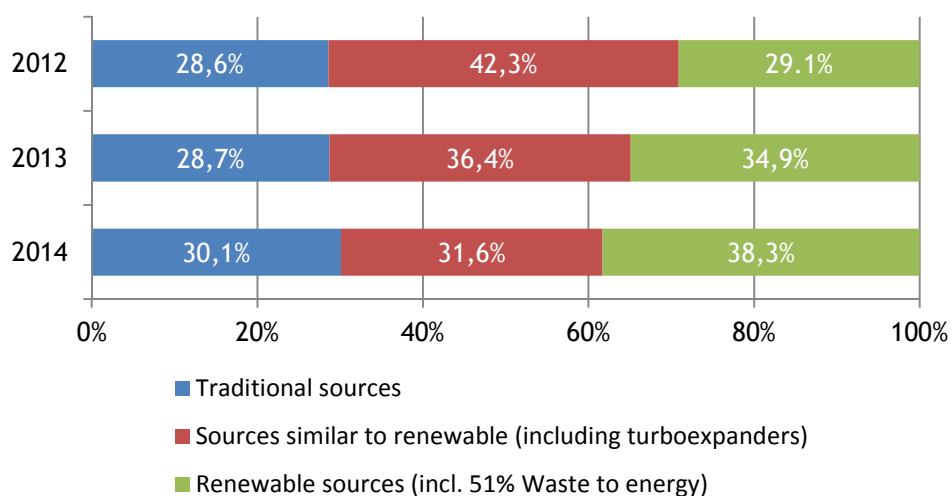
The overall reduction was offset by: (i) thermal energy production at two new plants (Udine thermoelectric power station and a new industrial cogeneration plant for a total of 7,600 MWh); (ii) the increase in the production of thermal energy from geothermics (+10%); (iii) the increase in production at the Enomondo biomass plant (+2.6%); (iv); a 3,000 MWh increase in the production of biogas at the Bologna treatment plant, where the biogas production problems were overcome and the cogenerator is able to run for more hours per year.

The **heat produced from renewable sources** increased by 2.5 percentage points as a result of the above factors. The production of thermal energy from **similar sources** fell by one percentage point mainly due to the reduction in production at the Imola plant. As a result of the above, the amount of thermal energy produced from renewable and similar sources went from 65.8% in 2013 to 67.6% in 2014.

Thermal energy produced

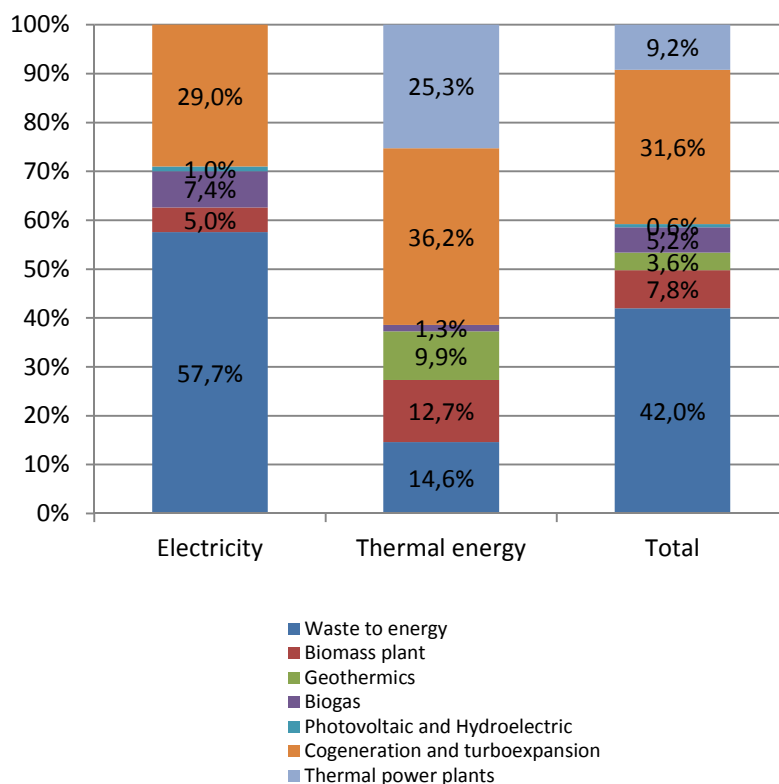


Total energy produced



The **total energy produced from renewable and similar sources** came to 69.9%, a decrease of one percentage point compared with 2013 because of the reduction in the production of energy from similar sources. An additional 21% of the total energy produced in any case has a high level of environmental sustainability as it is energy recovered from waste-to-energy transformation for the share exceeding 51%.

Total energy produced (2014)



Hera and renewable sources

In 2014 the Hera Group confirmed its commitment to the production of energy from renewable sources and with low environmental impact.

Hera Energie Rinnovabili (the company launched in 2008 with a specific focus on so-called “pure renewables”) owns 8 photovoltaic plants in the provinces of Bologna, Ferrara, Ravenna, Brescia and Macerata, for a total capacity of 7.2 MW. This capacity is supplemented by the plants installed at the Hera sites in Ferrara, Imola, Faenza, Forlì, Cesena and Ravenna for a total of 160 kW, those installed at the Akron plants in Mordano (Bologna), Voltana (Ravenna) and Coriano (Ravenna) for a total of 549 kW, and the photovoltaic systems installed at the Herambiente plants in Pozzilli, Isernia (495 kW) and Voltana, Ravenna (338 kW). Still in the photovoltaic sector, Hera Energie Rinnovabili has a 33% shareholding in the company Ghirlandina Solare, owner of a 1 MW photovoltaic plant in Marzaglia (Modena) on land belonging to the Municipality of Modena. It also owns a 143 kW hydroelectric plant in the Municipality of Verghereto (Forlì-Cesena).

Herambiente owns the two biodigesters at Cà Baldacci (Rimini) and Voltana di Lugo (Ravenna) and the Cesena biodigester (through subsidiary Romagna Compost), each with a capacity of 1 MW. In addition, the biogas exploitation plants at 9 landfills are still active, as is the biomass plant managed in Faenza by Enomondo. Finally, there is waste-to-energy production (considered a 51% biodegradable source) for an installed capacity of 94 MW electrical.

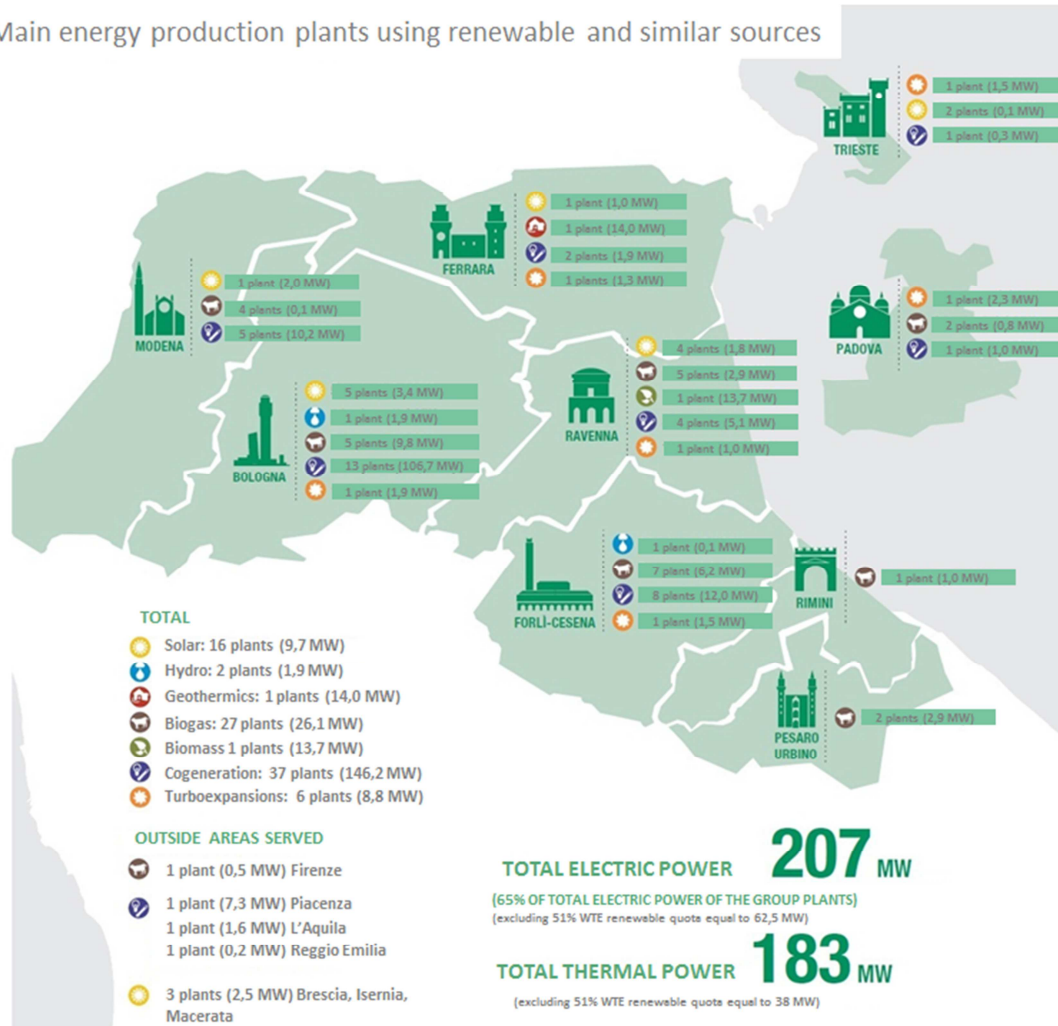
Hera S.p.A. also manages the plant that collects hot water from a geothermal source to power the district heating network of Ferrara, and four turboexpanders, in Bologna, Forlì, Ravenna and Ferrara, that produce electricity by exploiting gas pressure differentials. Also connected to the integrated water system are the plants for recovering energy from purification sludge (biogas) in Bologna, Cesena, Forlì and Savignano sul Rubicone (Forlì-Cesena).

Of the plants that generate low environmental impact energy (with performance coefficients of over 80%), we highlight the 80 MW electrical cogeneration plant in Imola, which is joined by various other smaller cogeneration and trigeneration plants, for an additional total installed capacity of 28 MW electrical.

AcegasApsAmga owns three photovoltaic plants of a capacity of 11 kW and two turboexpanders of a total capacity of 3.8 MW.

The **average efficiency** of the electricity and thermal energy production plants (meaning the ratio of incoming primary energy and net outgoing energy of the plant) is around 30% for the waste-to-energy plants that power district heating networks and 18-27% for new waste-to-energy plants, and between 60% and 82% for the cogeneration plants.

Main energy production plants using renewable and similar sources



District heating

District heating is a service involving the **sale of heat for customer home heating and domestic hot water**. It is an alternative system to traditional autonomous or condominium-based boilers which makes it possible to concentrate the **production of heat in central installations, which are more efficient** and better controlled than home boilers. From these installations, the heat, in the form of hot water, is brought to customer homes through a distribution network comprised of insulated piping. The heat then fuels the domestic heating system via non-polluting heat exchangers.

Customers have the advantage of increased safety and lower running and maintenance costs, while maintaining the freedom to independently regulate the temperature of their home.

District heating provides a solution to air pollution problems in cities by replacing home boilers, which are sometimes fuelled with gas-oil or fuel oil, and allowing heat generation from high-efficiency production methods, renewable energies, or energy recovered from other production processes.

Continuing the process of substituting fossil fuels with renewable energies or fuels from recovery, it was possible to obtain **significant energy-environmental improvements** in the Group's district heating plants.

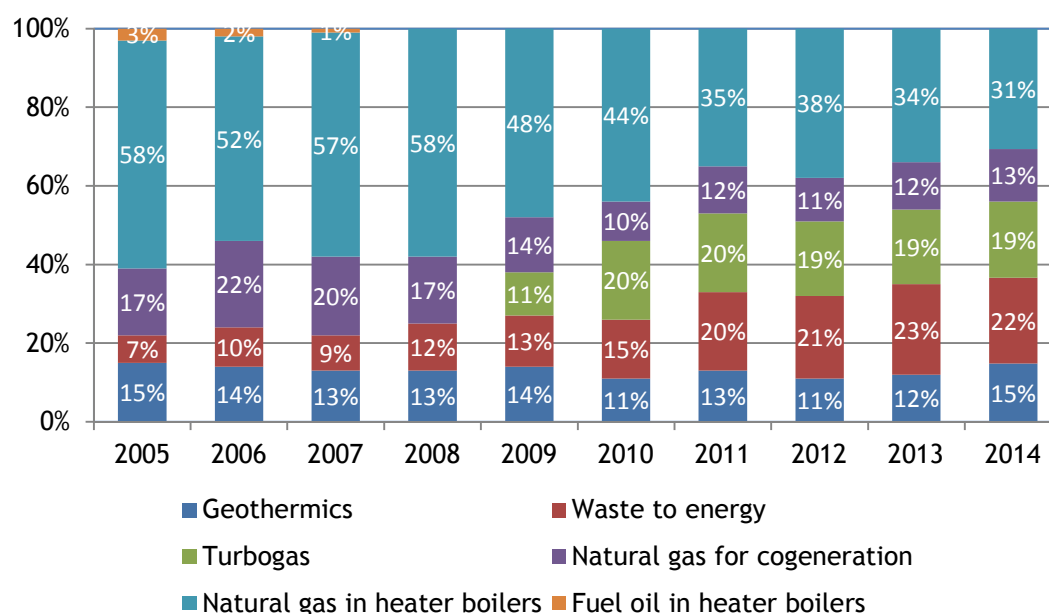
Environmental advantages of district heating

	2012	2013	2014
Primary energy saved (toe)	34,827	34,460	24,901
Nitric oxide avoided (t)	350.1	313.6	210.4
Carbon dioxide avoided (t)	168,767	158,358	112,409
Sulphur oxide avoided (t)	317.8	291.4	211.6

Calculated as the difference between a traditional system (existing boiler parks comprising 65% methane-powered boilers and 35% diesel boilers with an average seasonal yield of 75% (source: Comitato Termotecnico Italiano, 2009), and the national electricity grid) and Hera's district heating systems for the quantity of energy (thermal and electric) produced by Hera. Excluding AcegasApsAmga.

In 2014 the plants managed by Hera recorded **primary energy savings of 24,901 metric tons of oil equivalent**, a decrease of 28% compared to the savings in 2013, due to the reduction in the amount of thermal energy sold (-21% compared with 2013).

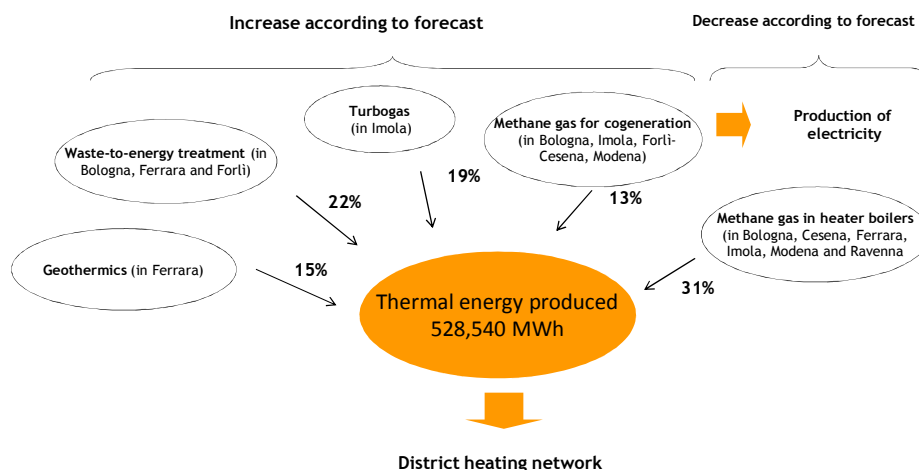
Sources used for district heating (2005-2013)



Excluding AcegasApsAmga.

As for the sources used for district heating, the percentage of **thermal energy** produced with gas boilers has fallen from 57% in 2007 to 31% in 2014. In addition, compared with 2013 there has been an increase in the use of the geothermal source in Ferrara.

Sources used for district heating (2014)



Excluding AcegasApsAmga

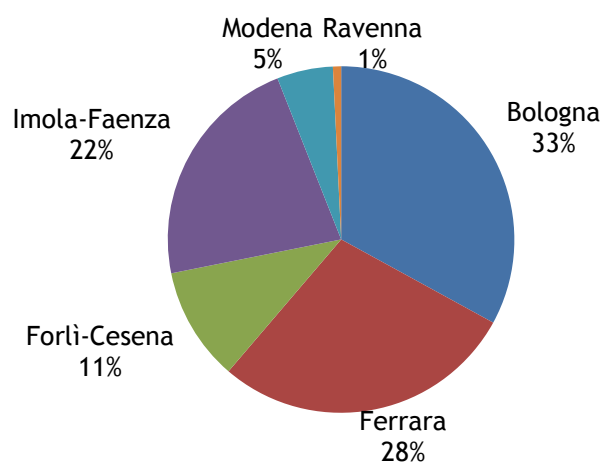
District heating data

	2012	2013	2014
Thermal energy sold (MWh)	530,326	527,206	418,312
Volumes served (thousands of m ³)	19,386	19,567	19,935
Housing unit equivalents served (no.)	80,774	81,529	83,061

The housing unit equivalents served were calculated on the basis of an average apartment volume of 240 m³. Excluding AcegasApsAmga.

There was a 21% reduction in the amount of **thermal energy sold** compared with 2013 as a result of the climate. In 2015 the company will continue to strive for improvements, prioritising the development of district heating with increasing quantities of renewable and similar sources. The volume served increased 2% compared to 2013, meeting the objective set in the 2013 Sustainability Report. The revamping of the Barca cogeneration plant in Bologna is scheduled for 2015.

Housing unit equivalents served per territory (2014)



Excluding AcegasApsAmga.

Below is an outline of the environmental performances of the district heating projects financed or refinanced through the Green Bond issued in July 2014.

The performances of the projects financed with the Green Bond

	Thermal energy produced (MWh)	Primary energy saved (toe)	Percentage of renewable and similar sources used
Bologna Area	174,638	3,908	46%
Ferrara Area	149,590	12,954	93%
Forlì Area	58,970	745	44%
Imola-Faenza Area	108,390	6,215	94%
Modena Area	33,383	1,080	50%

Make the Ferrara district heating system one of the greenest on the planet thanks mainly to geothermics, i.e. the exploitation of the hot water naturally present in the subsoil: this is one of the main goals of the “Renewable Energies Hub” project launched by Hera.

The project involves the development of district heating networks to the east of Ferrara, increasing the number of apartment equivalents served from the current 22,000 up to a target close to 37,500, around 40% of homes in the city. If completed, which will depend on the existence of the technical and economic feasibility conditions, the project will involve the creation of two new geothermal abstraction wells that will produce a capacity of 14 thermal megawatts. In fact, in 2014 a series of factors significantly altered the reference scenario that was adopted by HERA as the basis for the development of the project.

First of all, the data relating to the commercial development of the district heating service highlighted a strong slowdown, connected with the ongoing economic difficulties in the country. This resulted in the established dates related to connected volumes being pushed back.

As for the timeframes relating to the authorisation process, following the presentation of the Ichese Report, and with the additional required technical investigations pending, on 23 April 2014 the Emilia-Romagna Region suspended all research permits. As specified by the Region, this moratorium also applies to research permit requests for geothermal fluids.

As such, the authorisation for the new site is not valid at the present time, and the related methods and criteria are still unknown.

From a technical perspective, it will also be necessary to realign all of the project’s technical-economic data on the basis of the new site identified and the technical indications that will have to be issued by the Region. The changing external conditions prompted the reorganisation of the steps for implementing the development project, identifying an operating proposal which, structured into various phases, could in any case guarantee, also in the short-medium term, the consolidation of the system and the development of the service, maintaining the important goal of increasing the use of renewable sources and the recovery from industrial processes, with a consequent reduction in fossil fuels.

The development plan was therefore revised and structured into two distinct phases.

The first phase, which will likely cover the years 2015 to 2020, can be defined as the consolidation of the current system and involves the “inertial” development of the connections of new users (network users that own property and/or with short extensions) and a number of targeted commercial initiatives.

From an engineering perspective, the measures aimed at increasing and optimising the supply of heat from renewable sources and recovery will continue. In order to

guarantee the hydraulic balance of the network, as well as the simultaneous decommissioning of the temporary plants in via Don Puglisi e Bianchi and the safety work on the system, the “S. Anna” thermoelectric power station will be added to the district heating system and revamped (replacement of current obsolete steam boilers with new hot water boilers, more efficient in terms of performance and emissions).

Cogeneration for district heating

The term cogeneration indicates the **combined production of electricity and thermal energy** starting from a single source, whether fossil fuel or renewable, implemented in a single integrated system. This takes place in special thermoelectric plants which recover the heat from the exhaust fumes produced by an engine fuelled by any type of fuel: significant energy savings are therefore achieved (approximately 40%) compared with the separate generation of electricity and thermal energy. The Hera Group cogeneration plants, thanks to the connection with district heating networks, also contribute to improving the quality of air in the urban centres in which they are located: thanks to these, numerous boilers have been replaced with modern and efficient systems for the heating and supply of hot water to buildings. With district heating controls are carried out continuously, both in terms of combustion processes and atmospheric emissions.

Hera S.p.A. manages 14 cogeneration plants for an overall nominal installed electric capacity of 113 MW which in 2014 produced 137.085 MWh of thermal energy for district heating in all regions.

Industrial cogeneration

The Hera Group operates in the industrial cogeneration sector proposing multi-year energy supply contracts through the development and management of electricity and thermal energy production plants dedicated to meeting all the energy needs of top customers.

The main product sectors in which the energy service is particularly effective are plastics, food, pharmaceuticals, ceramics and large-scale tertiary services such as museums, shopping centres, spas and condominiums.

With cogeneration and trigeneration (production of electricity and thermal energy at the same plant plus cooling services) primary energy is saved with respect to traditional consumption, emissions are reduced, energy efficiency is increased and supply costs are reduced.

The Group’s “Energy Service” sees Hera Comm supply all energy carriers, reducing the financial and operational burden on the customer. In terms of the customer’s energy requirements, Hera Comm identifies the characteristics of the technology plant, manages the preparation of all authorisation documents, and manages and directs the plant.

At the end of 2014, 20 plants were operational (15 managed by Hera Comm, 1 by Hera S.p.A., 2 by Hera Energie and 2 by Sinergia). Three industrial cogeneration plants are scheduled to be opened in 2015.

The environmental benefits produced in 2014 by the plants managed by Hera Comm can be quantified as lower emissions of CO₂ to the tune of approx. 20,266 metric tons and primary energy savings of approx. 8,673 toe.

Energy efficiency

Hera confirms its standing as Italy’s fourth energy efficiency operator

Hera’s energy consumption reflects the multi-business nature of the Group.

The balanced portfolio of activities creates synergies that increase productivity in multiple sectors while limiting energy consumption. Hera manages cogeneration plants for **district heating** which produce thermal energy and electricity to sell to

its clients, and **cogeneration plants**, mainly to satisfy internal consumption requirements. It also manages **waste-to-energy plants** that dispose of waste with subsequent energy recovery, **turboexpanders** that take advantage of pressure differentials in the natural gas distribution stations in the local managed networks, and the **recovery of low enthalpy geothermic heat** at the district heating plant in Ferrara. Through a continuous series of measures, Hera pursues a policy aimed at **increasing energy efficiency** in all of its activities.

Primary energy consumption by type

toe	2012	2013	2014
Methane for production	159,470	159,957	130,090
Waste-to-energy treatment	208,116	314,141	333,380
<i>Total energy consumed in electricity or thermal energy production plants</i>	<i>389,330</i>	<i>474,098</i>	<i>463,470</i>
Electricity excluding public lighting	115,875	140,978	138,282
Electricity for public lighting	30,537	27,126	25,656
Methane for heating of premises	2,053	5,133	4,388
Fuel for vehicles	7,468	10,953	10,637
<i>Total energy consumed for uses other than the production of electricity or thermal energy</i>	<i>137,914</i>	<i>184,190</i>	<i>178,692</i>
Total	505,501	658,288	642,433

The data refer to energy consumption by Hera S.p.A., Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga

In 2014 there was a reduction of over 2 percentage points in the consumption of primary energy at Group level due to: (i) a 5% fall in electricity consumption for public lighting; (ii) a reduction of around 4% in the electricity consumption of the water service due in part to the reduction in the amount of water introduced onto the network and in part to the improved energy performance of the plants; (iii) a notable reduction in the consumption of methane and other fuels for heating (-19% compared with 2013) as a result of climate trends. These reductions are partially offset by an increase in waste-to-energy plant waste (+6% compared with 2013).

Intensity of primary energy consumption

	2012	2013	2014
Methane and other fuels for processing uses per energy produced (toe/MWh)	0.25	0.25	0.27
Waste sent to waste-to-energy plants per energy produced (toe/MWh)	0.34	0.37	0.40
Electricity for public lighting per lighting point (toe/lighting point)	0.11	0.10	0.09
Electricity for aqueduct service by water introduced onto the network (toe/thousands m ³)	-	0.13	0.13
Electricity for sewage and purification service per volumes treated (toe/thousands m ³)	-	0.11	0.10
Fuel for vehicles per km travelled (toe/km)	0.26	0.22	0.20

The data refer to energy consumption by Hera S.p.A., Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga

By comparing energy consumption against a number of production indicators, always considering the pro forma values for 2014, it is possible to calculate the intensity of consumption, which displays the following trends:

- the indicator of specific consumption relating to public lighting has displayed a positive trend over the years (-11.8% compared with 2013);
- the specific consumption indicators relating to the aqueduct and purification display a positive trend compared with 2013 (3.3% reduction in the electricity consumption of the aqueduct service and 9.7% reduction in the electricity consumption of the sewage and purification service);
- the energy indicator relative to fuel consumption in vehicles confirms the downward trend of previous years (-9.5% compared with 2013), thanks to the gradual replacement of the most obsolete vehicles with more efficient methane or LPG powered vehicles.

Energy saving initiatives

In 2014 **Hera S.p.A.** was granted **ISO 50001 certification**, emphasising the company's strong commitment to energy saving and efficiency regardless of the legal obligations to which it is subject. All of the company structures were involved in the energy management system implemented and each company area contributes to monitoring the most significant energy centres and developing initiatives to improve energy performances.

The energy improvement plan

Type of measure	N. of measures	No. measures implemented at 31.12.2014	Area	Expected year of completion	Expected annual savings (toe)
New oxygen production plant at Bologna treatment plant	1	-	Bologna	2016	1,309
Work on treatment plants	24	12	Bologna, Forlì-Cesena, Imola, Modena, Rimini	2016	813
Revamping of district heating plants	16	12	Bologna, Modena	2016	604
Revamping of turboexpander	1	-	Ferrara	2015	359
Drive System Tool project	1	1	-	-	183
Other measures	11	4	-	2017	154
Total	54	29			3,422

The energy improvement plan involves 54 measures to be carried out in the three-year lifetime of the energy management system. It is forecast that in 2017 these measures will result in savings of over 3,400 toe a year, around 1.6% of energy consumption in 2013. These measures will contribute to achieving the goal of reducing energy consumption by 3% (compared with 2013 consumption levels) by 2017.

As foreseen by the certification, a register of opportunities was also created that lists the potential energy improvement opportunities identified by the various corporate structures; these measures have not yet been approved but will be

assessed in terms of carrying out further investigation or feasibility studies before eventually proceeding to their implementation.

As well as the monitoring of consumption and performances, one of the goals of ISO 50001 is to train, inform and raise the awareness of all company staff as regards energy savings issues. To this end, the **company energy policy** was disseminated and 3 specific seminars on energy issues were organised and added to the training programme. The aim is to continue to involve employees, introducing new and more effective informative and in-depth initiatives targeted at different roles and levels.

During the year two energy diagnoses were also carried out on Hera S.p.A. energy production plants while AcegasApsAmga began the procedure for the creation of an energy management system certified according to the ISO 50001 standard.

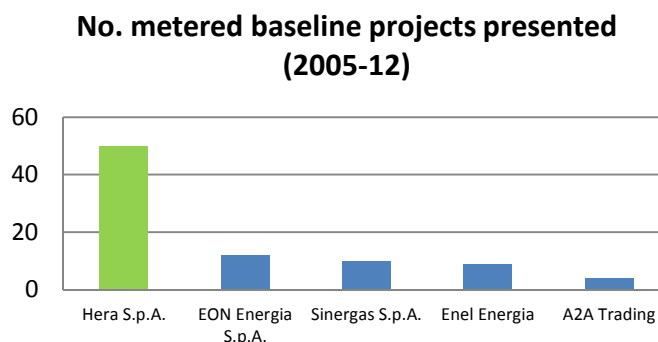
The Group's commitment to energy efficiency issues also extends to relations with the shareholder municipalities: having signed the protocol for the Municipality of Bologna sustainable energy action plan, Hera S.p.A. actively collaborates with the Municipality and, together with CNA Bologna, has opened an energy information point that provides citizens and businesses with free information on energy savings, efficiency measures and available incentives.

White certificate objectives

toe	2012	2013	2014
Gas distribution	182,313	227,540	312,481
Electricity distribution	32,862	39,323	47,251
Total	215,175	266,863	359,732

Ministerial Decree of 28 December 2012 extended the national obligations established by the White Certificate mechanism to 2016 and redefined the criteria, conditions and methods for carrying out energy efficiency actions in the end uses eligible for this incentive. The same decree also established that the responsibility for the management of the White Certificates system would pass from the AEEGSI (Italian Authority for Electricity, Natural Gas and the Water System) to the Energy Services Manager.

Hera S.p.A. and AcegasApsAmga S.p.A. are obliged as both gas distributors and distributors of electricity. The national data witnessed a significant reduction in the number of obligations incumbent on electricity distributors and a minor reduction for gas distributors. Hera S.p.A.'s 2014 goal is slightly more ambitious compared with that of 2013 because of the increase in volumes distributed.



The Hera Group is the 4th national operator in terms of White Certificate objectives and 3rd leading national operator as regards approved metered baseline projects. It was also the only local utility company (out of the three Italian operators in total) to feature in the

2013 International Energy Agency report on energy efficiency which brings together the world's best energy saving initiatives developed by energy distributors and sellers. The Group therefore continues to pursue and strengthen its energy savings initiatives aimed at the procurement of efficiency certificates and the efficient management of all of its activities.

Among utility companies, Hera S.p.A. is the leading operator in terms of numbers of metered baseline projects approved between 2005 and 2012 (source: CESEF - l'efficienza energetica in Italia, 2014).

To contribute to the aforementioned obligations, the activities to procure White Certificates through energy efficiency initiatives at Group or partner company plants continued in 2014.

In 2014 Hera S.p.A. presented the Energy Services Manager with 11 energy efficiency metered baseline projects, as well as 8 activities subject to analytical or standard savings assessment. It is estimated that these projects will be able to produce over 44,000 White Certificates during the useful life of the operation (5 years), the equivalent of the same number of toe in additional savings. AcegasApsAmga presented 2 projects during 2014.

The energy efficiency measures enhanced with White Certificates include actions carried out in purification and wastewater treatment plants, public lighting, district cooling, gas networks, urban waste-to-energy plants and separated waste biodigesters. Of particular interest are the projects developed together with third party companies that operate in the industrial sector and, in the particular, the food, textiles, chemical, ceramics, iron and steel and engineering sectors, as well as the tertiary and mass retail industries.

Public lighting system

The Hera Group manages **369,259 light points**, guaranteeing the efficiency of the public lighting service in **91 municipalities** in 7 Regions: Emilia-Romagna, Umbria, Lombardia, Marche, Lazio, Veneto and Friuli Venezia Giulia. It also manages traffic light installations in some communities for a total of **8,426 traffic lights**. The increase in the number of light points managed (+61,908) is largely due (+33,493) to the 2014 merger of Est Reti Elettriche and Amga.

Managed light points and traffic lights

no.	2012	2013	2014
No. Municipalities served	62	59	91
Light points	297,418	307,351	369,259
<i>of which energy saving (%)</i>	87%	85%	83%
<i>of which with management systems for optimising consumption (reduction of intensity, partial switching off etc.) (%)</i>	57%	48%	48%
Traffic lights	7,570	7,813	8,426
<i>of which LED (%)</i>	58%	68%	73%

Energy saving light bulbs (i.e. not mercury-vapour lamps) are used at 83% of the light points managed, while at 58% of the light points there are management systems in place to optimise consumption (reduction of intensity, partial switching off etc.).

With the conclusion of the renovation work on the public lighting plant at San Donato Milanese, the savings generated by the replacement of incandescent traffic lights with LEDs come to around 1,170 toe a year. In 2014 the Citylight system was launched, which logs fault reports: 15% of the light points managed are currently visible online. In the municipalities served by AcegasApsAmga the savings obtained following the introduction of LED lamps come to 112 toe a year.

Main energy saving measures implemented by Hera Luce in 2014

Municipality	Year of completion	Environmental benefits (energy savings in MWh)
Alfonsine (Ravenna)	2014	350
Bagnatica (Bergamo)	2015	318
Locate di Triulzi (Milan)	2014	250
Caldarola (Macerata)	2014	197
Fanna (Pordenone)	2015	155
Castel Guelfo (Bologna)	2014	155
Artegna (Udine)	2015	145
Gemmano (Rimini)	2015	95
Viganò (Lecco)	2015	92
Brembate (Bergamo)	2014	32
Total		1,789 (equal to 2% of Hera luce total consumption)

Hera Luce adopts a development model that integrates environmental issues with the typical competitive drivers of the sector providing its services to local authorities for the identification of sustainable solutions in both economic and environmental terms.

Hera Luce participated in the technical round table meetings of the Ministry of the Environment and the Protection of the Territory and the Sea which led to the updating of the Minimum Environmental Criteria (Criteri Ambientali Minimi) for public lighting, and the Emilia-Romagna Region that led to the updating of the Regional Law against light pollution (Decree of the Regional Government 1688/2013).

The event “Illuminiamo il futuro della tua città” (We light up the future of your city) was organised in 2014 with the endorsement of the Ministry of the Environment and Unione Astrofili Italiana, and focused on the principles and regulations of energy efficiency, light management and the reduction of light pollution, and connected issues.

Hera Luce continues the development activities related to various partnerships launched in previous years connected with:

- developing a lighting device performance monitoring system in line with the MEC criteria, together with the Ministry of the Environment;
- the development of models designed to provide local authorities with tools that enable them to understand the process of analysing and assessing energy efficiency activities, obtain information on the activities to undertake for a retrofitting programme, and attain an initial estimate of the costs of the actions and the benefits that can be obtained;
- the analysis of new lighting technologies with the assessment of costs/benefits and future development possibilities in association with the University of Bologna - Engineering Department;
- the creation of projects designed to evolve public lighting towards the development of Smart Cities using public lighting infrastructure.

Production and distribution of water

Over 35,000 kilometres of aqueduct networks serving 3,6 million citizens

The Hera Group's water supply sources comprise **underground water**, **surface water** and, to a lesser extent, **springs**. In Romagna the distributed water is purchased wholesale from Romagna Acque - Società delle Fonti.

The **purification** processes vary in complexity depending on the quality of the source water: processes include **chemical** and **physical** water drive, usually

adopted for surface water, as well as simpler **filtration and disinfection treatments** applied to water coming from deep wells and springs that is already of a good quality when collected.

The treatments carried out guarantee that the distributed product has **suitable chemical physical and microbiological features for human consumption**, in constant observance of the limits laid down by current legislation.

Water introduced onto the network (breakdown by source)

Thousands of m ³	2012		2013		2014	
Groundwater	150,030	43.2%	219,979	51.6%	215,588	52.1%
Surface water	175,498	50.5%	175,059	41.1%	169,150	40.9%
Springs and minor sources	21,892	6.3%	31,134	7.3%	28,871	7.0%
Total	347,420	100.0%	426,172	100.0%	413,610	100.0%

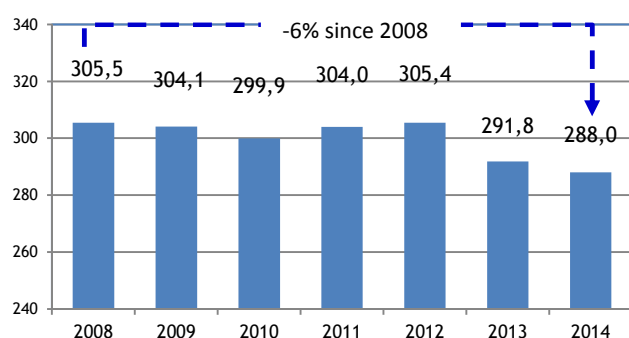
Figures include both the civil and industrial aqueducts (the latter being part of the areas of Forlì-Cesena, Imola-Faenza, Modena and Ravenna and accounting for around 3% of the total).

The data show a **decrease in the total volume of water introduced into the network** of around 3% compared to 2013. This decrease is due to the climate trend, which meant that consumption was not particularly high in the summer and late-summer periods, to a fall in production-related consumption due to the ongoing economic recession, and the increasingly greater attention paid to water savings by the public.

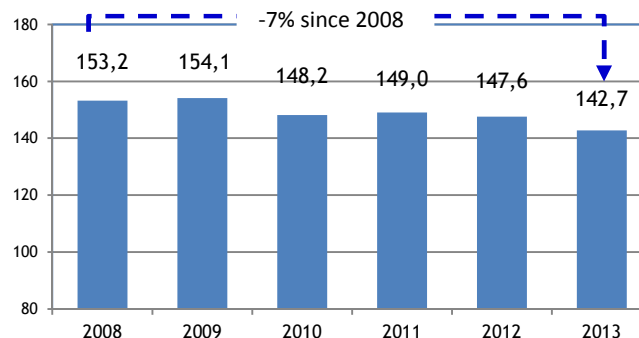
In terms of the use of the various sources, there was a slight increase in the use of groundwater (+1% compared with 2013).

Considering just the civil aqueduct, the water introduced onto the network in the civil aqueducts managed by Hera S.p.A. in 2014 came to 288 million m³, the lowest value in the last seven years, down again compared with 2013 (-1.3%). A similar fall was recorded in all local areas with the exception of Ferrara (where it fell by almost 4% compared with 2013) and Forlì-Cesena (-2.5% vs. 2013). Only in Rimini did the amount of water introduced onto the network remain largely unchanged. This trend was confirmed by the fall in per capita consumption for domestic use which, in the areas of Emilia-Romagna, fell by 8.7% between 2008 and 2013 at a constant rate.

Water introduced onto the network in the civil aqueduct (millions of cubic metres)



Water sold for domestic use (millions of cubic metres)



Excluding AcegasApsAmga and Marche Multiservizi.

The Gruppo Hera distribution network extends for **35,133 kilometres** and, where possible, is interconnected and linked in order to guarantee **supply continuity** also in cases of temporary service interruptions regarding one or more pipes.

Water network components

%	2012	2013*	2014*	2014
Plastic	54.2%	54.5%	54.8%	51.7%
Asbestos-cement	21.1%	20.8%	20.6%	20.9%
Steel	17.0%	16.8%	16.7%	17.2%
Cast iron	6.7%	6.8%	6.8%	8.2%
Other materials	1.0%	1.0%	1.0%	2.0%
Total	100.0%	100.0%	100.0%	100.0%

*Excluding AcegasApsAmga

On a like-for-like basis, the composition of the water network shows a slight decrease in terms of asbestos cement, which went from 20.8% in 2013 to 20.6% in 2014. The use of materials other than asbestos cement in the new networks or those subject to extraordinary maintenance continues at Group level. In the two year period 2013-14 Hera change in the Emilia Romagna and Marche area 78 kilometre of network in asbestos cement.

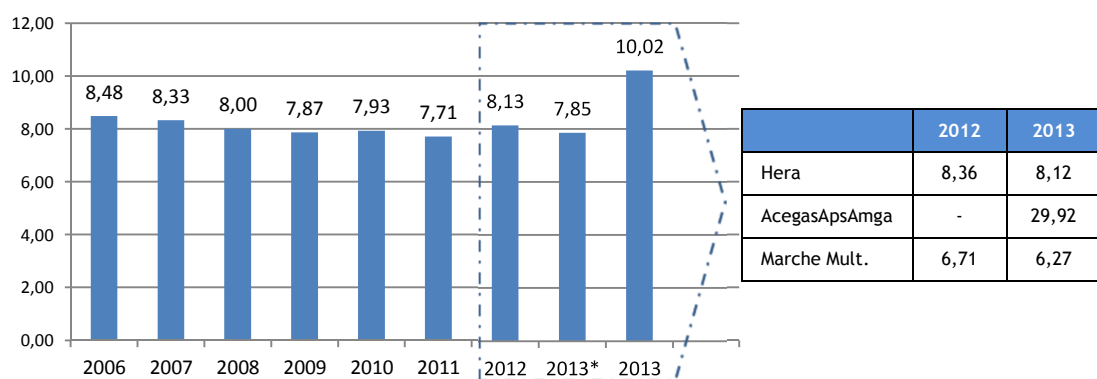
What is meant by non-invoiced water

The percentage of non-invoiced water compared to water introduced onto the network is related to physical or real losses (due to breakage of pipes or hydraulic equipment etc.) or procedural or apparent losses (meter errors, errors in estimated presumed consumption as at 31 December, unrecorded internal consumption, illicit consumption). The latter losses result in water which is effectively delivered to the final customer but is not recorded or billed.

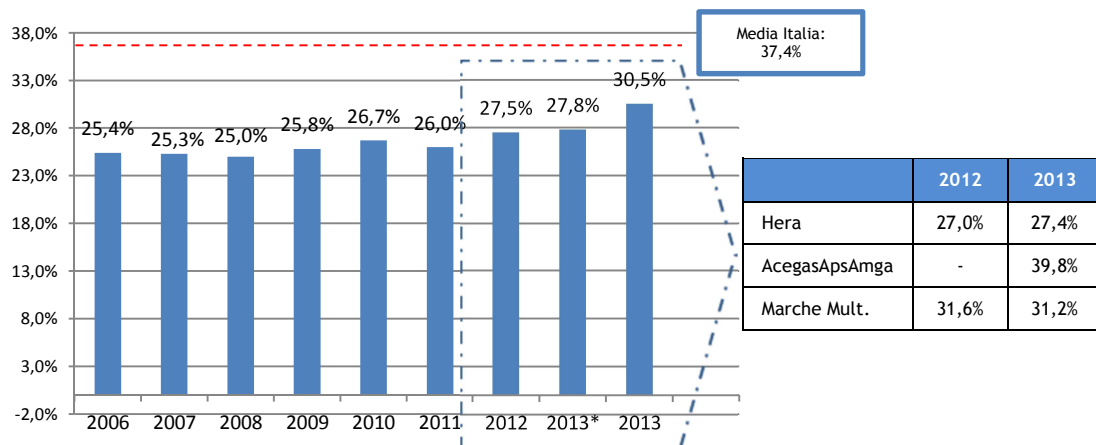
Until 2006, network losses were calculated as the difference between water introduced into the water system during the year and the water accounted for as supplied to customers during the same period: the latter figure was estimated at 31 December of each year based on customers' historical consumption, as it is not possible to carry out a single reading of all meters as at 31 December. This estimate was then supplemented so as to take into account the correct charge of the water sold to customers as at 31 December in the previous year calculated after the reading of all the meters. Since 2007 network losses have been calculated by allocating the adjustments deriving from the meter reading in the pertinent year and thereby guaranteeing perfect comparability between water sold and the related amounts introduced into the system each year. With this approach it is possible to calculate the final figure for the year only around 4-6 months after the close of the financial statements, or after all the meters have been read. For this reason the table below does not include the provisional figures for 2014.

At Group level **network losses for 2013 came to 30.5%**, slightly higher than in 2012 caused by the consolidation of figures of AcegasApsAmga. The Group is at a level considerably lower than national average in the same year: 37,4% (source: ISTAT 2014). Excluding AcegasApsAmga the network losses in 2013 came to 27.8%. The slight increase reflects the relationship between network losses and the quantities of water introduced onto the network, both down compared with 2012 but in different proportions. In fact, in absolute terms, physical and administrative losses fell by around 3%, going from 82.3 million m³ to 80.0 million m³, while the reduction in the amount of water introduced onto the network, consequently the decrease of demand, exceed the 4%. Considering also the industrial aqueduct, the 2013 figure is equal to 30.0% for the Group and 26.8% for Hera S.p.A.

Non-invoiced water per kilometre of network managed (m³/km/day) (physical and administrative losses from the domestic water system)



Non-invoiced water (physical and administrative losses from the domestic water system)



Including Marche Multiservizi since 2010

*Excluding AcegasApsAmga

In the graphic above, the figure of non-invoiced water per kilometre of network is also reported as it is more representative of the effectiveness and efficiency of the distribution system, as well as more useful when making comparisons with other companies. In 2013, excluding AcegasApsAmga, non-invoiced water came to 7.85 cubic metres per kilometre a day, 3.4% down compared to 2012, a year influenced by exceptional events: more specifically, weather conditions (long and severe freezing in February) and, to a lesser degree, the seismic events of May in Emilia. This phenomenon is significant in Marche area: -6.6%. Even in this situation the consolidation of AcegasApsAmga figures resulted in an increase of figure 2013.

With the introduction, in 2014, of the multilayer tube in all water connection activities, an important initiative aimed at reducing leaks in the water network was concluded. The project was launched in 2010 in association with the Plastic Material Testing Laboratory Foundation of the Chemistry, Materials and Chemical Engineering Department of Milan Polytechnic, and with LyondellBasell, one of the world's leading polyolefin manufacturers, in order to carry out a critical analysis of the reasons for the breakage of polyethylene pipes and to identify improvement plans. The results of the research were presented at WaterLossEurope 2012, a European conference on the efficient management of the aqueduct networks.

The study began with the monitoring of the level of breakage of pipes of different materials, which produced anomalous data on polyethylene both in comparison with other materials and in terms of the (expected) "literature" figures associated with polyethylene tubes. Samples of stretches of pipes in which there had been breakages were collected and analysed over a two-year period, highlighting the gradual worsening of the mechanical characteristics of the polyethylene tube

because of the oxidation of the polymer caused by disinfectants present in the water distributed and geologically complex conditions.

The multilayer polyethylene-aluminium-polypropylene tube was identified as a valid alternative as it offers better chemical protection and mechanical hold guarantees than standard polyethylene (also including the “high resistance to slow propagation of fractures” type) and improves the reliability of connections and small-diameter stretches that are statistically more vulnerable.

Water consumption

In 2014, 3.5 million cubic metres of water was consumed at the Group’s plants and sites (excluding Marche Multiservizi).

The biggest consumers were the waste disposal plants (over 3.1 million cubic metres, of which over 3 million in waste-to-energy plants) and the cogeneration plants (249,000 cubic metres, of which 160,000 at the Imola plant). Around 100,000 cubic metres was consumed in the offices.

In EMAS-certified plants, forecast water consumption came to 1.8 million cubic metres. In some plants, this water is reused within the production cycle. **In 2014, reused water accounted for 22% of total water consumed.** Dry fume purification has been adopted in the new waste-to-energy plants, which **reduces water consumption** as compared to moist fume purification systems. In the new plants, water consumption is mainly due to diluting ammonia solution used in the nitric oxide abatement plants, the boiler drains, cooling samplers and putting out burning waste. Wastewater is treated in chemical-physical plants located, in almost all cases, in the vicinity of the waste-to-energy plant. In the cogeneration plant in Imola, water consumption for the evaporative cooling tower came to 120,000 cubic metres, as compared with 178,000 cubic metres in 2013.

Wastewater purification quality

The sewerage and wastewater treatment service covers 92% and 90% of the needs of the area served respectively

In 2014, the Hera Group managed the sewage and wastewater purification service in 239 municipalities, 54 of which via Marche Multiservizi and 18 of which through AcegasApsAmga.

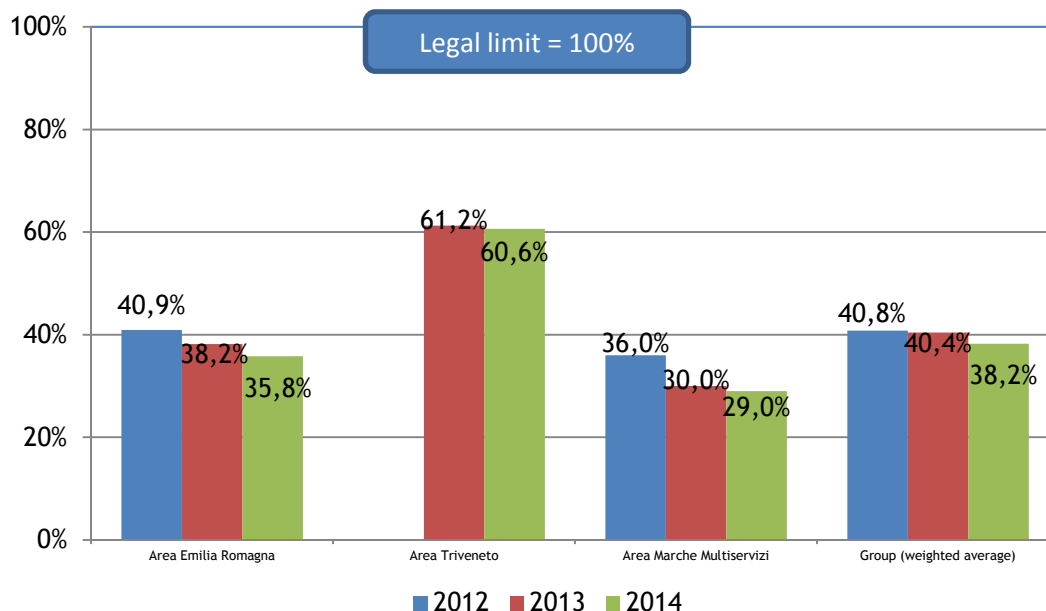
Excluding AcegasApsAmga and Marche Multiservizi, the sewage system managed is approximately 14,589 kilometres long and is mixed for about 55% of the total (56% in 2013). The **sewage system** for all areas covered 92% of requirements in the areas served (inhabitant equivalents). This value rises to 99% if we only consider areas with over 2,000 inhabitant equivalents in Emilia-Romagna.

In Emilia-Romagna, wastewater purification was carried out through 840 treatment plants, 15 of which have a capacity of over 100,000 inhabitant equivalents and 42 of which have a capacity of between 10,000 and 100,000 inhabitant equivalents. In 2014 the **purification service** covered 90% of inhabitant equivalents in the areas served by the Group. This value also rises to 99% if we only consider areas with over 2,000 inhabitant equivalents in Emilia-Romagna.

These coverage values are decidedly higher than the national values: according to the 2009 Utilitatis Blue Book Report, in 2007 85% of Italians were served by the sewage network and 70% by a treatment plant.

The Hera Group treated over 415 million cubic metres of wastewater in 2014, compared to 385 million in 2013.

Compliance of treated water with legally established limits (optimal values <100%)



The indicator relates to the plants with more than 10,000 inhabitant equivalents (the volumes treated in these plants equate to 75% of the total wastewater treated) and is calculated on the basis of the ratio between the concentration gauged for BOD₅, COD, TSS, ammonia nitrogen, phosphorus and total nitrogen and the related maximum concentrations permitted by Legislative Decree no. 152/2006.

The efficiency in removing pollutants in compliance with the legal limits, as expressed by the indicator in the graphic, is related to the purification capacity of the plant and the technologies adopted. At Group level this indicator is equal to 38% if you consider BOD₅, COD, TSS, ammonia nitrogen, phosphorus and total nitrogen, and 24% if you exclude phosphorus and total nitrogen. Overall, the indicator that summarises the efficiency of the removal of the main pollutants reveals a downwards trend, in line with the values of previous years. The main improvements were seen in the areas served in Emilia-Romagna and were largely down to reductions in the concentrations of pollutants in the provinces of Ferrara, Modena and Rimini, while in the other provinces the indicator displays values in line with those of 2013; only the province of Forlì-Cesena showed a modest increase, albeit well below the legal limits. These variations are compatible with the variability of the incoming quantities, the operating conditions and the structural condition of the plants. In the areas of the Triveneto performances continue to improve thanks to the improvements at the plants in Padova. The performances of the two plants in Trieste are largely stable with critical values for the Servola treatment plant, which has been subject to major adjustment and improvement works.

Main works to expand purification plants

Plant	Inhabitant equivalents	Status 31.12.2014	Type of measure	Environmental benefits expected/obtained
Bologna	800,000	Ongoing (conclusion 2016)	Replacement of oxygen production plant	Reduction of energy consumption for oxygen production (approx. -20%)
Trieste	180,000	Ongoing (conclusion 2018)	Measure to improve plant and bring it into line with legislation	More effective purification and greater guarantee of respect for the laws in force
Cesenatico	120,000	Ongoing (conclusion 2015)	Adaptation to respect limits relative to total nitrogen and optimisation of the sludge treatment line.	More efficient purification and adaptation of sewage
Cattolica	120,000	Ongoing (conclusion 2015)	Adaptation to respect limits relative to total nitrogen and optimisation of pre-treatment sections.	More effective purification and greater guarantee of respect for the laws in force
Pesaro	110,000	Planning stage (conclusion 2018)	Measure to bring plant into line with legislation	More effective purification and greater guarantee of respect for the laws in force
Urbania	68,000	Ongoing (conclusion 2016)	Measure to improve treatment plant	More effective purification and greater guarantee of respect for the laws in force
Molinella	11,000	Concluded	Measure to bring plant into line with legislation	More efficient purification
Ozzano Emilia	10,000	Testing (conclusion 2015)	Improvement of the activated sludge treatment line and creation of new line with ultrafiltration membrane	More efficient purification

In 2014 measures were pursued that influenced the regular activities and standard performances of some of the plants in Emilia-Romagna: from the conclusion of the revamping work on the anaerobic digesters of Bologna treatment plant to the complete implementation of the adaptation works carried out on the Forlì treatment plant. The adaptation work on the Cesenatico plant and the improvement work on the Rimini Santa Giustina also continued, while work on the Cattolica plant began. In the sewage authorisation measures for the Rimini Marecchiese and Cattolica plants, the Province took note of the plants' exceeding of total outgoing nitrogen limits. This was due, in the case of Rimini, to the reconversion of the plant into a collection tank and the lamination of flows connected with the actions to double the Rimini S. Giustina treatment plant and, in the case of Cattolica, to the planned adaptation work on the plant in order to bring it into line with legislation. For Forlì, meanwhile, the Province granted an extension until 28 March 2014 because of testing at the plant, while for the Riccione plant the exceeding of the limits, due to adaptation work carried out in 2013, was remedied in early 2014 following the conclusion of the work.

Percentage of analyses on outgoing treatment plant water compliant with legislation

%	2014
Plants with over 10,000 inhabitant equivalents	99.8%
Plants with less than 10,000 inhabitant equivalents	99.5%
Total	99.7%

Excluding AcegasApsAmga and Marche Multiservizi

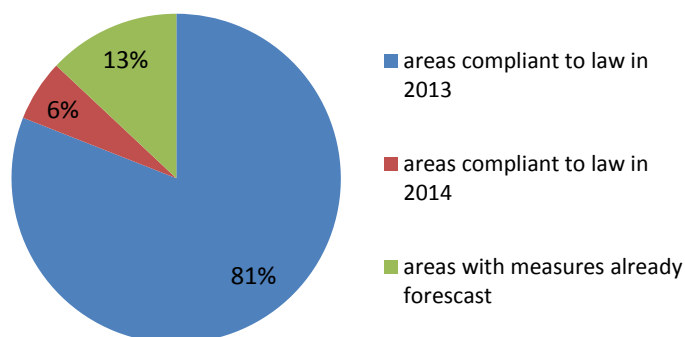
Considering the 11,500 analyses carried out in 2014 on 111 treatment plants in Emilia-Romagna, in 99.7% of cases the results of the analyses proved to be compliant with the legal limits.

The final values point to a highly satisfying situation with extremely comforting percentages of compliant checks compared with all controls carried out. The controls defined in the Protocols of Understanding, signed pursuant to Legislative Decree no. 152/06 and Resolutions of the Council of the Region of Emilia Romagna no. 1299/01 and no. 2241/05 were considered. The only data related to controls that evidenced the exceeding of the authorised limits refer to situations of a purely episodic nature and largely compatible with the variability of the incoming quantities, the operating conditions and the structural condition of the plants.

Wastewater purification quality can also be established by monitoring the adaptation trends of urban areas, understood as areas in which the concentration of people and production activities is such that the creation of an autonomous sewerage-treatment system is technically and economically acceptable. According to Legislative Decree no. 152/2006, the following two conditions must be satisfied for a built-up area to be legally compliant: at least 95% of wastewater must be drained and the capacity of the purification plants must exceed the inhabitant equivalents of the built-up area with secondary or third-party treatment (where necessary).

2014 saw the completion of the adjustment works in 7 of the 8 areas and more specifically those of Granarolo, Lizzano in Belvedere, Molinella, San Bartolomeo in Bosco, Modigliana, Santa Sofia and Tre Olmi, for a total of around 42,000 inhabitant equivalents. The adjustment works for 2 urban areas will be completed in 2015: Ozzano Emilia (previously scheduled for 2014) and Cesenatico, for a total of around 137,000 inhabitant equivalents.

Continue the adjustment works of networks



In 2014 urban areas compliant are 97 over 112, of which 7 in 2014. The total amount of urban areas compliant is equal to 77% of total people considered. In Emilia- Romagna this figure is equal to 89%.

In the area served by AcegasApsAmga, the procedures for the assignment of the adjustment works at the main treatment plants are close to conclusion: in Padova the Ca' Nordio treatment plant is set to undergo expansion and in Trieste a biological treatment section is due to be constructed at the Servola treatment plant. In the Piove di Sacco area the extension of the sewage system continues and at Sistiana the adjustment of the treatment plant should be concluded by 2016.

Purification sludge is considered special waste and must be managed according to **Legislative Decree no. 152/2006**. In 2014, the plants managed by Hera S.p.A. produced about **38 kg** of sludge per inhabitant equivalent served. The **sludge reused** directly in agriculture came to just over 0.3% of the total, down compared with 2013. The remaining sludge produced was managed through **dedicated incineration** (28,292 metric tons), **transfer to landfills** (approx. 31,042 metric tons) and **indirect agronomic reuse, following composting** (65,700 metric tons).

Constructed wetlands

Hera S.p.A. manages 17 constructed wetlands plants of small or medium-small capacity in the provinces of Bologna, Ferrara, Florence, Forlì-Cesena, Rimini and Ravenna: some are secondary biological treatment plants downstream of primary sedimentation while others are third-party treatments used for the final refinement of the wastewater before final discharge.

The constructed wetlands process is a natural process for the treatment of polluted waters based on the exploitation of the soil-vegetation system as a natural filter for the purification of water, and is made up of a system of biological ponds and of macrophytic vegetation.

This kind of treatment also contributes to the reclamation of borderline areas, creating natural environments and landscapes that are pleasing to the eye, and often chosen as refuges for various species of bird, amphibian and reptile. In these areas, it is therefore also possible to organise educational tours to observe specific animal and vegetable species typical of wetlands.

Atmospheric emissions

Technology and monitoring to guarantee transparency and emissions well below the legal limits

Atmospheric emissions generated by waste-to-energy plants

Every Hera Group waste-to-energy plant is equipped with **fume purification and process and emission control systems**, designed and produced in order to attain:

- elevated fume purification performances in all process conditions;
- elevated management versatility;
- elevated reliability of emission control systems.

In order to meet these goals, the new plants and those undergoing renovation (Modena, Bologna, Ferrara, Forlì, Rimini) are equipped with the following systems:

- double reaction and filtration system to lower the concentrations of dust, hydrochloric acid, hydrofluoric acid, sulphurous dioxide, heavy metals, dioxins and furans and aromatic polycyclic hydrocarbons (the Modena plant has a bag filter and an electrostatic precipitator);
- double reaction system (catalytic and non-catalytic) to reduce concentrations of nitric oxides;
- double fume monitoring system for process control: the two systems measure the concentrations of the main pollutants emanating from the oven and downstream of the first reaction and filtration phase, on the basis of which a calculation is made of the volume of reactants required to

ensure purification levels that guarantee respect for legal emission limits and which are, on average, 80-90% below these;

- continuous double monitoring system for chimney emissions: one as a reserve for the other in order to guarantee the continuity of the analysis of concentrations in atmospheric emissions.

The possibility of using **double purification and monitoring systems in series** (in parallel as regards chimney monitoring) allows the above objectives to be successfully pursued.

The Faenza (Enomondo) plant is equipped with a double reaction system (catalytic and non-catalytic) to reduce concentrations of nitric oxides.

The Padova, Pozzilli and Trieste plants have a single reaction and filtration system to lower the concentrations of dust, hydrochloric acid, hydrofluoric acid, sulphurous dioxide, heavy metals, dioxins and furans and aromatic polycyclic hydrocarbons, a single reaction system for reducing nitric oxide concentrations (double for Padova) and a single fume monitoring system.

In addition to the aforementioned activities, as regards the monitoring of emissions and environmental impact, the following operations are carried out on an annual basis:

- **timely controls of the chimneys**, at a frequency fixed by the Integrated Environmental Authorisation, for those parameters which cannot be continuously monitored, resorting to certified workshops;
- **controls on soil fallout** of the pollutants: through external monitoring programmes in collaboration with the University and research agencies, deposition analyses are performed on soil, ground and vegetation etc., in order to ascertain that the emissions, in addition to being within the legally established limits, do not have any significant impact on the surrounding environment.

Atmospheric emissions generated by waste-to-energy plants

t	2012	2013	2014
Particulates	3.6	8.1	6.9
Hydrochloric acid	5.1	13.5	16.8
Nitric oxides	326.5	713.3	728.5
Sulphur oxides	5.0	12.3	13.3
Carbon monoxide	40.5	73.2	71.2
Hydrofluoric acid	0.1	0.4	0.4
Total Organic Carbon	3.5	5.8	6.7
<i>Waste treated in plants (thousands of t)</i>	831.9	1,454	1,467
<i>Net electricity produced (MWh)</i>	472,127	878,615	867,540
<i>Thermal energy produced (MWh)</i>	133,824	240,739	216,275

The data are calculated using continuous measurement systems which are subject to the approval of the supervisory bodies at the moment of authorisation for operation of the plant. The procedures used by the single plant systems for collecting and calculating the volume of substances emitted are not completely standardised.

The data since 2013 are influenced by the acquisition of AcegasApsAmga which manages two waste-to-energy plants in Trieste and Padova that treated 165 and 184 thousand metric tons of waste respectively in 2014, and by the arrival in Herambiente of the Pozzilli (Isernia) and Enomondo plants which treated 93 and 150 thousand metric tons of waste respectively.

In the last two-year period under consideration, the analysis of mass flows shows an improvement in total emissions of particulates (-14%) and carbon monoxide (-

3%) notwithstanding the 1% increase in treated waste. The increases recorded for hydrochloric acid, total organic carbon and sulphur oxides are mainly due to the overall increase in the number of hours of operation of the plants, as well as the quantities of waste treated. In particular, the increase in sulphur oxides is due to the increase in the quantity of waste with high sulphur content disposed of at the F3 plant in Ravenna. For all continuously monitored pollutants, the concentrations at the chimney in 2014 were once again much lower than the legal limits: 82% for hydrochloric acid, 93% for total organic carbon and 96% for sulphur oxides.

With regard to pollutants not monitored continuously, total emissions can be estimated on the basis of the results of the analyses performed during the year. Compared to 2013, in 2014 there was an 11% reduction in dioxins and furans, a 35% reduction in aromatic polycyclic hydrocarbons and a 13% reduction in metals. In 2014, 180 kilograms of metals were emitted (207 in 2013), along with 0.81 kilograms of aromatic polycyclic hydrocarbons (1.22 in 2013) and 33.9 milligrams of dioxins (38.1 in 2013).

By comparing the quantities of substances emitted into the atmosphere with the quantities of disposed waste it is possible to establish the specific emissions for the various pollutants. This indicator measures the efficiency of the exhaust abatement systems used in the plants, and highlights the technical improvements obtained with the new plants. There was an improvement in particulate and carbon monoxide emissions compared with 2013, while emissions of the other pollutants rose slightly mainly because of the above reasons.

Atmospheric emissions generated by waste-to-energy plants in relation to disposed waste

g/t	2012	2013	2014
Particulates	4.3	5.5	4.7
Hydrochloric acid	6.1	9.3	11.4
Nitric oxides	392.5	490.6	496.5
Sulphur oxides	6.0	8.5	9.1
Carbon monoxide	48.6	50.3	48.5
Hydrofluoric acid	0.2	0.3	0.3
Total Organic Carbon	4.2	4.0	4.5

The data are calculated using continuous measurement systems which are subject to the approval of the supervisory bodies at the moment of authorisation for operation of the plant. The procedures used by the single plant systems for collecting and calculating the volume of substances emitted are not completely standardised.

The results of the emission measurements at the Hera Group waste-to-energy plants confirm that, being equipped with the best technologies available and run in the most efficient manner, these plants **emit far lower levels** of dust, dioxins and furans, aromatic polycyclic hydrocarbons and metals **than permitted by emission limits**. The measurements made to identify the metals show concentrations well below the limits. Compared with the other parameters, subject to continuous monitoring, at plants equipped with the double reaction system for the reduction of sulphur oxide (Bologna, Ferrara, Forlì, Modena, Padova and Rimini) the **concentrations were not only well below the legal limits, but also the limits established by local authorities**, which are much more stringent than national regulations.

The D.Lgs. 133/2005 foresee the continuous monitoring of emissions for seven parameters. In addition in the Ferrara, Forlì, Modena and Rimini plants the mercury is added.

The chart below shows for each 11 plant the results of the monitoring: the average concentrations are always lower than national limits. Also for parameters

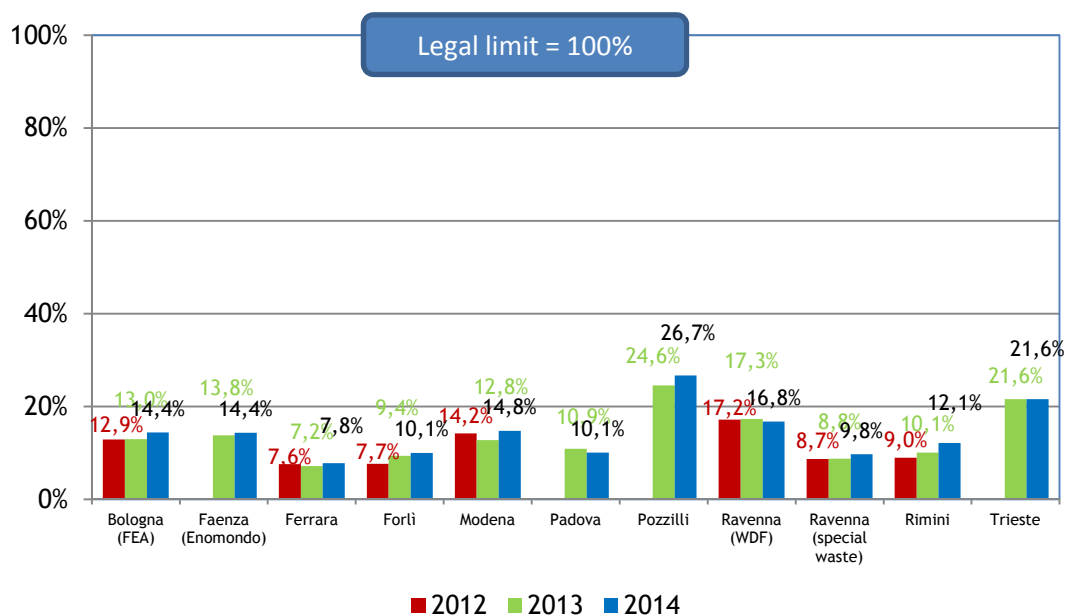
not included in the law monitoring the concentration measured at lower the law limits from 95% to 99%.

Compliance of waste-to-energy emissions with legally established limits in Legislative Decree no. 133/2005 - continuously monitored parameters (optimal values < 100%), average of the plants managed



The **plant renovation process** has resulted in a significant improvement in the abatement percentages of pollutant emissions: in January 2008 the two new waste-to-energy plant lines in Ferrara became fully operational, since early 2009 the new Forlì plant has been operational, in April 2010 the new line 4 of the Modena waste-to-energy plant became operational, and since October 2010 the new line 4 of the Rimini waste-to-energy plant has been operational. In 2014 the **average concentrations of the atmospheric emissions of the waste-to-energy plants came to 14.4% of the legal limit**. Excluding the two AcegasApsAmga plants and the Pozzilli and Enomondo plants, the values are slightly higher those of 2012 (11.2% in 2013 and 12.3% in 2014) as compared with 25.5% in 2005. This means that in 2014 emissions were 86% below the limit while in 2003 this percentage was 59%.

Compliance of waste-to-energy emissions with legally established limits in Legislative Decree no. 133/2005 - continuously monitored parameters (optimal values < 100%), by plant



Atmospheric emissions from waste-to-energy treatment plants compared to authorisation limits - continuously monitored parameters (optimal values < 100%)

%	2012	2013	2014
Bologna (FEA) waste-to-energy plant	18.5%	18.2%	19.5%
Ferrara waste-to-energy plant	15.5%	14.5%	9.4%
Forlì waste-to-energy plant	16.4%	17.5%	18.4%
Modena waste-to-energy plant	19.0%	16.7%	18.9%
Ravenna waste-to-energy plant (special waste)	10.3%	10.5%	15.2%
Faenza (Enomondo) waste-to-energy plant	-	17.2%	18.3%
Arithmetical average	15.9%	15.8%	16.6%

The Integrated Environmental Authorisations relating to the plants in Ferrara, Forlì and Modena also provide for the continuous monitoring of mercury.

The same indicator was calculated for the six plants with authorisation limits that are more stringent than Italian regulations for 2014 (for the eight parameters monitored in continuation on average the limits established by the authorisations correspond to 76% of the limits laid down in Legislative Decree no. 133/2005); the data is displayed in the table above. The results are also excellent in this case: the concentrations are, on average, around 83% lower than the most restrictive limits. It is notable that the limits established by the individual authorisations are different depending on the plant, meaning that it is not possible to compare the performances of the single plants. It should also be noted that at the end of 2012, the Ferrara plant authorisation introduced new limits relative to mass flows. The limits relative to the mass flows of total particulates and nitric oxides were reduced by 50% and 36% respectively while further limits were introduced on annual mass flows of total organic carbon, hydrochloric acid, hydrofluoric acid, sulphur oxides, cadmium + thallium, metals, aromatic polycyclic hydrocarbons, dioxins and furans, and mercury.

Relative to the parameters for which Legislative Decree no. 133/2005 does not require continual monitoring (total metals, aromatic polycyclic hydrocarbons,

dioxins and furans, cadmium and thallium, and mercury), in 2014 the Hera Group took a total of **765 samples**, a considerably higher number than the 195 provided for in national regulations and the **453 established by the IEA** for the 8 plants in question. In 2014, as in previous years, Hera plants complied with the authorisation limits relative to amounts of waste treated, their type and, where present, their geographical derivation. As regards the Ravenna plant, in 2014 the quantitative limits of the individual permitted waste types were altered without changing the overall authorised amount.

Thermal power saturation percentage (by plant)

%	2012	2013	2014
Bologna (FEA) waste-to-energy plant	100%	100%	100%
Ferrara waste-to-energy plant	81%	82%	91%
Forlì waste-to-energy plant	83%	87%	88%
Modena waste-to-energy plant	90%	89%	94%
Ravenna waste-to-energy plant	100%	100%	100%
Rimini waste-to-energy plant	100%	99%	97%
Pozzilli waste-to-energy plant		98%	99%
Faenza (Enomondo) waste-to-energy plant			100%
Average	92%	96%	96%

Excluding AcegasApsAmga.

Given that in 2014 the waste-to-energy plants indicated in the table treated quantities of waste substantially in line with the authorised quantities, and given the calorific value of this waste, the saturation percentage of the thermal power was equal to 96%. This means that in 2014 the plants were used to 96% of their potential.

At the waste-to-energy plants **methane** is used in the start-up and shutdown phases and to support combustion if the calorific value of the treated waste is low: overall consumption in 2014, excluding AcegasApsAmga and the Enomondo plant, came to over 7 million cubic metres. Compared with 2013 there was a slight reduction in methane consumption of over 125,000 cubic metres despite the 4% increase in waste treated. This reduction was mainly due to a fall in methane consumption at the Forlì, Ravenna, Ferrara and Pozzilli plants, which was partially offset by the increase in consumption at the Bologna plant and the Modena plant, which resumed operations after the August 2014 shutdown due to maintenance work that overran.

Electricity produced in relation to disposed waste

KWh/t	before revamping	2014	delta
Ferrara waste-to-energy plant	251	482	+92%
Forlì waste-to-energy plant	295	510	+73%
Modena waste-to-energy plant	282	629	+123%
Rimini waste-to-energy plant	351	563	+61%
Weighted average	290	558	+92%

The performances of some plants are expressed here as the relationship between electricity produced and waste disposed, highlighting the improvements made following their revamping.

Atmospheric emissions generated by district heating

Nitric oxide and carbon dioxide emissions fell by 11.8% and 17.0% respectively compared with 2013 partly because of the reduction in the use of thermoelectric

power stations, which fell from 34% in 2013 to 31% in 2014, but above all because of the climate, which impacted on the amount of thermal energy and electricity produced. In fact, in 2014, the district heating plants produced a total of 578 GWh of electricity and thermal energy, 15% less than in 2013. The ratio between emissions and the energy produced provides a measure of specific emissions. In 2014, 168 grams of nitric oxides were emitted for each megawatt-hour of energy produced and 120 grams of carbon dioxide for every kilowatt-hour (-3.0% compared with 2013).

Atmospheric emissions generated by district heating

t	2012	2013	2014
Nitric oxides	114.6	110.3	97.2
Carbon dioxide	85,041	83,762	69,503

The data refer to the thermoelectric power and cogeneration stations that power district heating.

Considering the concentrations of nitric oxides, carbon monoxide and particulates, the concentrations of the atmospheric emissions of the cogeneration plants for district heating came to 49% of the limits established by the plant authorisations.

Atmospheric emissions generated by district heating (2014)

t	Nitric oxides	Carbon dioxide
Bologna	61.6	44,897
Ferrara	3.0	2,361
Forlì-Cesena	24.5	15,971
Imola-Faenza	2.4	1,755
Modena	4.7	3,747
Ravenna	0.97	772
Total	97.2	69,503

Emissions of the Imola cogeneration plant

Also in 2014, the specific emissions of the Imola cogeneration plant remained very low: **nitric oxides**, the most prevalent element in fumes, remained at around **50% of the authorised concentration**, while the **average concentrations of carbon monoxide fell to 11% of the permitted limit**.

It is important to note that in terms of nitric oxides and carbon monoxide, the environmental authorisation of the Imola plant establishes limits 75%/80% lower than national legislation.

Following recovery in the cooling tower, **119,762 cubic metres** of water was consumed in 2014, well down compared with the 176,651 consumed in 2013 (-32%) and the limit of 300,000 in 2014.

The two lines operated for 2,577 and 2,586 hours respectively, well down compared with 2013 as a result of the recession that continues to affect the electricity market and the very high average temperatures throughout the year that significantly reduced thermal energy demand.

Atmospheric emissions from the Imola cogeneration plant

mg/Nm ³	National limit	Authorised limit	2012	2013	2014
Nitric oxide	60	15	6.7	7.1	8.0
Carbon monoxide	50	10	2.3	1.4	1.1
Ammonia slip	not envisaged	2.5	0.1	0.1	0.1
Total Particulate Matter	not envisaged	5	0.005	<0.010	<0.010
PM ₁₀	not envisaged	1	0.06	<0.04	0.04

The limits of authorised emissions refer to the decree of environmental compatibility issued by the Ministry of the Environment and the Protection of the Territory DEC/DAS/2006/00142 of 15/02/06 (only NO_x, CO and NH₃) and the Integrated Environmental Authorisation of the Province of Bologna of 11/04/07, reference no. 124043 as amended. The values correspond to the average values measured in continuation (for PM₁₀ the values correspond to the average of the 8 analyses carried out). The limits correspond to the hourly average (with the exception of PM₁₀).

The Imola plant stands out not only for its excellent performance in terms of energy production but also from an environmental perspective as its low atmospheric emissions are associated with significant energy savings. In fact, in 2014 it recorded energy savings of 18.1% while the amount of primary energy it saved came to 79,100 megawatt-hours.

Corporate vehicle fleet

Fleet (No. of vehicles)

No.	2012	2013	2014
Diesel	2,006	2,605	2,744
Petrol	592	702	637
Methane	539	531	502
LPG	46	126	240
Electric powered	37	26	26
Total	3,220	3,990	4,149

Non-circulating vehicles being disposed of were not included.

The strategy of streamlining the use of the vehicles continued, beginning with the purchase of technologically advanced vehicles powered by **fuels with reduced environmental impact** to replace obsolete vehicles.

The Group owns 4,149 vehicles, of which 502 are fuelled by methane and 240 by LPG. 26 of the vehicles, 18.5% of the total, are electric. Excluding AcegasApsAmga and Marche Multiservizi, in **2014 288 vehicles were sold** and 138 diesel vehicles, 92 LPG vehicles and 5 electric vehicles registered. Currently, excluding AcegasApsAmga and Marche Multiservizi, the Hera Group uses 12 methane automatic waste compactors out of an overall total of 164.

The Group's commitment to reducing the environmental impact of its fleet was further consolidated through the release, in May 2013, of an operating instruction that prioritises vehicles with reduced environmental impact (methane, LPG) when purchasing light commercial vehicles. Drafted in accordance with the principles laid down by EU legislation, the aim of this instruction is to reduce environmental impact through the identification of more environmentally friendly fuels and close attention to the different contexts in which the vehicles have to be used. The benefits of the entry into effect of the operating instruction were visible in the first complete year of operation. In fact, the number of light commercial vehicles run on reduced environmental impact fuel grew by 3% on a like-for-like basis as

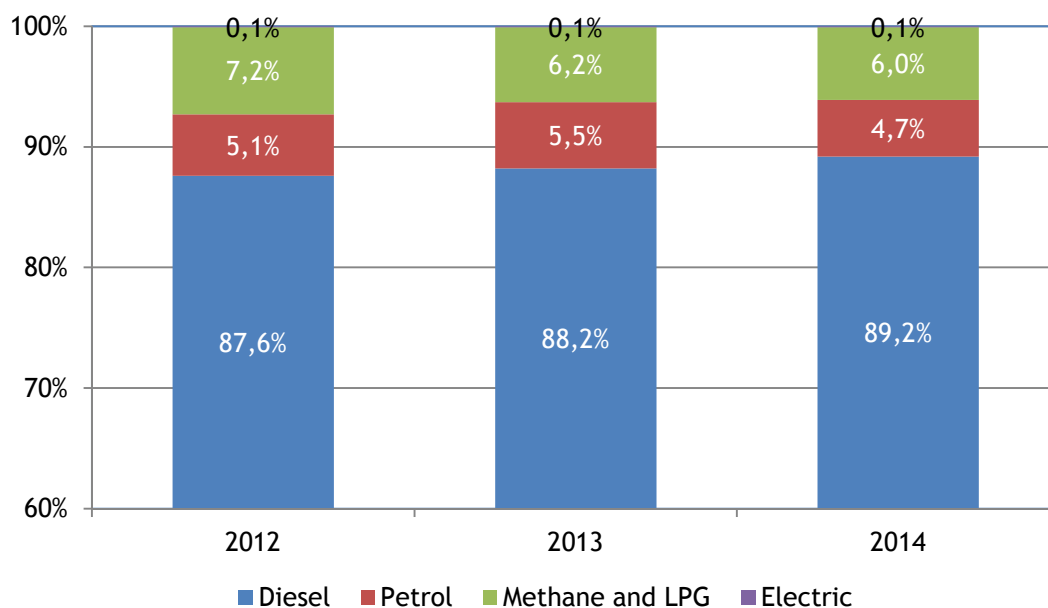
regards vehicle category. The “greenest” of these are the cars (+6% compared with 2013) and vans (+4% compared with 2013).

The issue of safe driving was also developed through the “DST- Drive System Tool” project which, using a measurement box, makes it possible to record the driving styles of the drivers of waste collection vehicles in order to plan subsequent training/incentive programmes. As planned, the DST was installed on automatic waste compactors in 2014 to improve the overall safety of the vehicles. More specifically, thanks to this new system:

- there has been an improvement in the road safety of waste collection vehicles, which continuously have to stop with dangerous loads aboard. In 2014 there was an 8% reduction in repairs due to accidents and negligence;
- the integrity of the vehicle has been safeguarded, which can operate in optimal conditions (maintenance costs down 12% compared with 2013);
- the environmental impact associated with vehicles has been reduced through fuel savings, with an 8% drop compared with 2013.

In 2015 the Group plans to consolidate the use of DST in order to make the performances of its automatic waste compactors more sustainable.

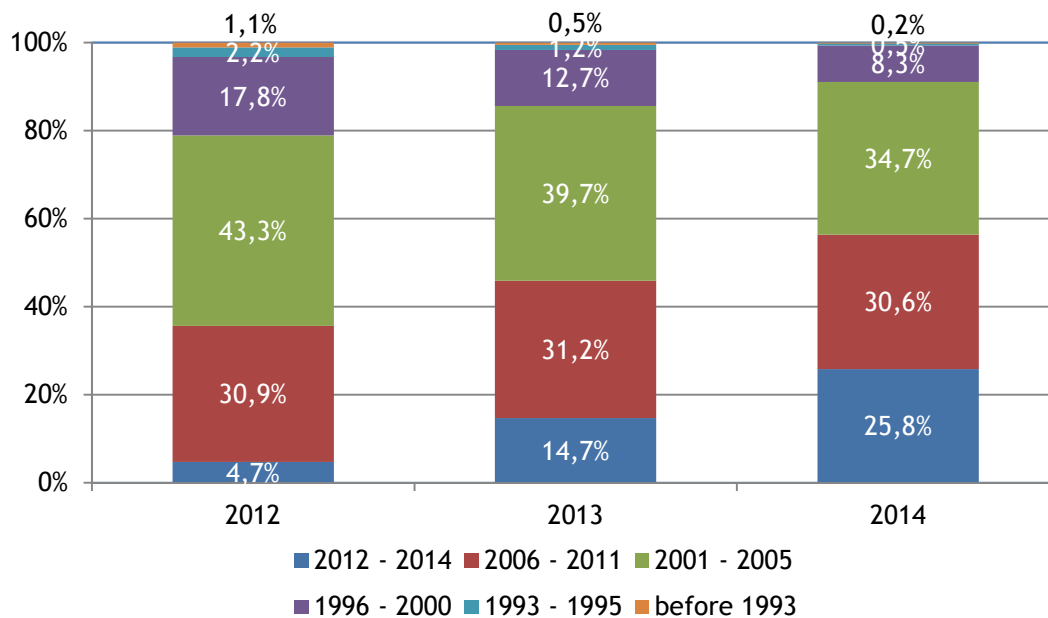
Fuel consumed by vehicles



A comparison between the various types of fuel was made considering the primary energy present in the single fuels.

At Group level there was a reduction of around 3% in fuel consumption. This fall is distributed among the various fuels but the most notable reduction (-16% compared with 2013) is in petrol consumption due to the gradual replacement of the oldest vehicles.

Breakdown of the vehicles by year of registration



Excluding AcegasApsAmga and Marche Multiservizi. The classes into which the vehicles have been divided up refer to the year of registration and the European Directives (Euro 1, Euro 2, Euro 3, Euro 4, Euro 5).

Excluding AcegasApsAmga and Marche Multiservizi, the average age of the fleet continues to fall, now 7.5 years as opposed to the 2013 figure of 8.0 years following the targeted investments to renew the company fleet.

Mobility management

2014 saw the continuation of actions to reduce the environmental impact of Group **employee commutes**. These included the continuation of the shuttle bus service in Bologna that connects Stazione Centrale (Central Station) with the sites in Viale Berti Pichat, Via Trattati Comunitari and Via del Frullo. The incentives designed to encourage those who work at the Bologna sites and the Via Casalegno site in Imola to cycle to work also continued in 2014. This year 24 employees (twice as many as in 2013) took advantage of the incentive (for the purchase of bicycles and accessories or for maintenance).

In 2014, 166 staff members took advantage of special discounts on annual public transport passes of 50% for services managed by T-per and 45% for those run by Trenitalia.

There were two important new developments in 2014:

- the activation of the free shuttle service in Imola. Following a special survey carried out in July 2014, a shuttle service (free for colleagues) was introduced which, since last October, connects Imola station with the main sites in the local area.
- the introduction of a photovoltaic shelter with three electric bicycles at the Bologna site. This initiative was submitted for the Municipality of Bologna “plan to improve Mobility Management actions” tender.

Greenhouse gas emissions

Eleven plants are included in the European system for reducing greenhouse gas emissions

Greenhouse gas emissions of plants subject to the Emissions Trading scheme

The primary and most common gas responsible for the greenhouse effect is carbon dioxide, which is produced, among other things, by combustion processes.

The period 2013-2020 will see the continuation of European efforts to reduce greenhouse gas emissions using the EU-ETS (European Union Emission Trading System). The EU ETS is a “cap&trade” system because it fixes a maximum limit (“cap”) on the total level of emissions permitted to all parties that participate in the scheme, but it also allows them to buy and sell CO₂ emission rights (“quotas”) on the market (“trade”) in accordance with their needs and within the established limits.

On 1 January 2013 major changes were made to the method of assigning free quotas, on the basis of which some types of plants are permitted annual quotas of greenhouse gas emissions free of charge. In addition, the emission accounting process for plants with minimal emissions was simplified. For these plants there is no free allowance except in the case that it is necessary to purchase emissions certificates because the plant has exceeded the established limit (cap).

The Hera Group plants involved are cogeneration combustion plants fuelled by natural gas with a maximum overall thermal furnace power of 20 MWh. They therefore have the right to free allowances which, in fact, are far lower than those recognised in past years as they are now proportional only to the amount of thermal energy recovered to fuel the district heating networks. For 6 of these plants Hera has requested the application of the simplified regime which means that they will not receive free allowances. Because of the type of waste disposed of, all Hera Group waste-to-energy plants are excluded from the ETS mechanism.

With the ETS system it is necessary to quantify and submit the emissions produced for inspection, comparing them to the assigned quotas. If the emissions are below the authorised levels, the excess quotas constitute an asset with an economic value that can be realised in a special dedicated market; vice versa, if emissions are too high, the missing quotas must be purchased from the market. In the case of plants with negligible emissions, any emission quotas below the cap will be used to increase the cap for the following years. As a result all operators have an incentive to contain the greenhouse gas emissions of their plants as far as possible and through a mechanism that gradually reduces the annual overall cap it is possible to comply with the global policy and targets of the European Union in order to contain environmental impact.

Eleven Hera Group plants are authorised to emit greenhouse gases on the basis of Emissions Trading legislation, involving total installed furnace power of 579.6 MW.

The carbon dioxide emissions recorded in 2014, equating to 154,864 metric tons, fell by 26% compared with those recorded in 2013 (210,381) as a result of seasonal factors and the longer scheduled shutdowns of the Casalegno (Imola) plant during the summer owing to the recession in the electricity market. For these plants, the emission cap established by the EU ETS system for 2014 was 69,863 metric tons while the free allowance came to 47,219 metric tons.

Total greenhouse gas emissions of plants

	2012	2013	2014
Waste-to-energy plants (t)	314,720	352,681	333,007
Plants authorised according to Emissions Trading directive (t)	232,104	210,304	154,864
Landfills (t)	281,744	235,146	269,013
Total (t)	828,114	798,131	756,884
Electricity and thermal energy produced by plants (MWh)	1,421,919	1,452,983	1,415,759
Intensity of emissions (kg/MWh)	583	549	535

Excluding AcegasApsAmga and Marche Multiservizi

Excluding AcegasApsAmga and Marche Multiservizi, the Group plants produced **total greenhouse gas emissions of 756,884 metric tons of CO₂ equivalent**, down compared to 2013 (-5%) following the reduction in the emissions of plants subject to the Emissions Trading Directive and waste-to-energy plants. The increase connected with landfills is due to the update of the parameters of the forecast model.

In addition to these emissions, there are also the emissions deriving from gas network leaks and motor vehicles, which are estimated at 338,850 metric tons. If we consider also these emission the reduction increase to 8.7%. Indirect emissions from electricity consumption came to 162,082 metric tons.

Considering the emissions produced by plants that generate electricity and thermal energy as indicated in the table (these plants produce 66% of the total energy produced), the intensity of greenhouse gas emissions in 2014 came to 535 kg per megawatt-hour of energy, 3% lower than the 2013 figure because of the reduction of waste-to-energy plant emissions (-9%, partly due to a reduction in the methane consumption of the plants of around 2% compared with 2013 and partly due to the reduced quantity of fossil components in the waste) and the greater production of energy from renewable sources (+8%, particularly because of treatment plant biogas and geothermics).

The following components were considered in order to quantify greenhouse gas quantities:

- landfills: methane from biogas which is given off by the landfill matter, plus carbon dioxide from the combustion of tapped biogas, from which the portion corresponding to biodegradable substances was removed;
- waste-to-energy plants: carbon dioxide from the combustion of waste, from which the portion corresponding to biodegradable substances was removed;
- district heating: carbon dioxide from the combustion of methane;
- losses in the gas network: estimated as the difference between the methane input into Hera stations and the methane invoiced to customers; thus, this calculation includes real losses (due to breakage of pipes) and administrative or apparent losses (errors in estimates of consumption at 31 December);
- motor vehicles: carbon dioxide from the use of fuels.

Landfill emissions were estimated using a mathematical model based on the amount of waste disposed in the eleven active landfills in each year, type, composition and biodegradability of waste and amount of tapped biogas. Waste-to-energy plant emissions are based on the quantity and type of waste used. For district heating and electricity consumption, the calculations are made using coefficients provided in the Emissions Trading regulation, while emissions for motor vehicles and gas network leaks are calculated using coefficients from readings.

Waste collection

The Hera Group is a major player in the field of urban waste management. Hera manages the urban waste service in 6 provinces of Emilia-Romagna, for a total of 133 municipalities. As well as these municipalities, Hera also manages another 3 in the Province of Florence. In addition, through Marche Multiservizi, it also serves 40 municipalities in the Province of Pesaro-Urbino and another 6 municipalities in areas adjacent to the Marche Region. Since 2013, through AcegasApsAmga, it has served 7 municipalities in the Provinces of Padova and Trieste. In total, **Hera served 189 municipalities in 2013 for a total population of 3.3 million inhabitants.**

The Hera integrated waste management system (WMS)

Hera's Waste Management System (WMS) is characterised by three main systems:

- local collection: the system is primarily targeted at residential users and small, non-residential users;
- "target user" residential collection: for non-domestic users that produce specific waste similar to urban waste;
- Separate Waste Collection Centres (also known as Equipped Drop-Off Points): infrastructures where all types of separated urban waste, including dangerous waste, can be dropped off.

The system is also supplemented with the domestic collection of bulky waste (free of charge, by phone call or by appointment), the collection of green waste, and the collection of other types of dangerous waste at specific businesses (e.g. batteries at pharmacies).

To improve their efficacy, the collection services are differentiated according to standardised area types (historic centres, residential areas, tourist areas, extra-urban areas, industrial zones). For each area the **collection system that best fits with urban, environmental and local characteristics is identified**. The aim is to maximise the percentage of separate waste collection and its quality through a technically and economically sustainable service.

As regards local collection, which accounts for the largest proportion of waste, Hera is implementing various systems geared towards the future application of a precise tariff model:

- roadside bins with a user control and recognition system ('lid' system);
- residential collection with bins equipped with tag transponders;
- collection centres with weighing and user registration systems.

In many municipalities there are mixed local collection systems (e.g. roadside collection for some materials and door-to-door for others; roadside collection in some areas, door-to-door in others). In order to simplify things, in the tables below the local collection services in each municipality are reclassified according to the most prevalent model.

Main forms of waste collection used in the community

number of municipalities served	2012	2013	2014
Roadside collection	111	104	104
Roadside collection with special disposal control mechanisms	22	23	21
Door to door	7	20	18
Total	140	147	143

Excluding Marche Multiservizi.

In 2014 no changes were made to the waste management systems used in the municipalities served. In 2013, of the 143 municipalities served by the Group, 104, equal to 81% of the entire population served, were mainly served with the roadside system, 21 with the electronic tracking of waste disposal system (11% of

the population served), and 18 with the door-to-door system (8% of the population served). The reduction in the number of municipalities is due to the merge of some in Emilia-Romagna.

Collection of urban waste

In 2014 there was a 1% increase in the total amount of urban waste collected by Hera compared with 2013. At Group level the amount of waste collected per capita fell by 0.5 percentage points. As an absolute value this slight increase bucks the negative trend of previous years, albeit only to a minor degree. As such, despite the testing economic climate, which has resulted in a fall in consumption and therefore the production of waste, it appears that the latter is showing the first signs of a gradual upturn. Waste production prevention actions and actions to promote recycling have also impacted on the reduction of waste, with citizens more sensitive to these issues given the current economic downturn. Hera is involved in numerous initiatives in this area (see further ahead in this paragraph).

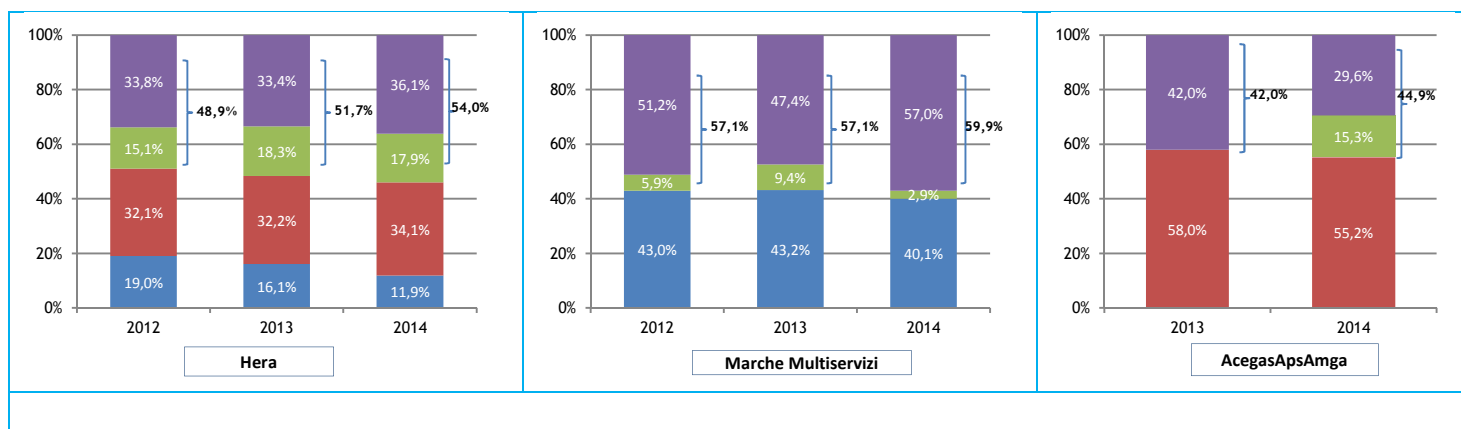
Urban waste collected by area

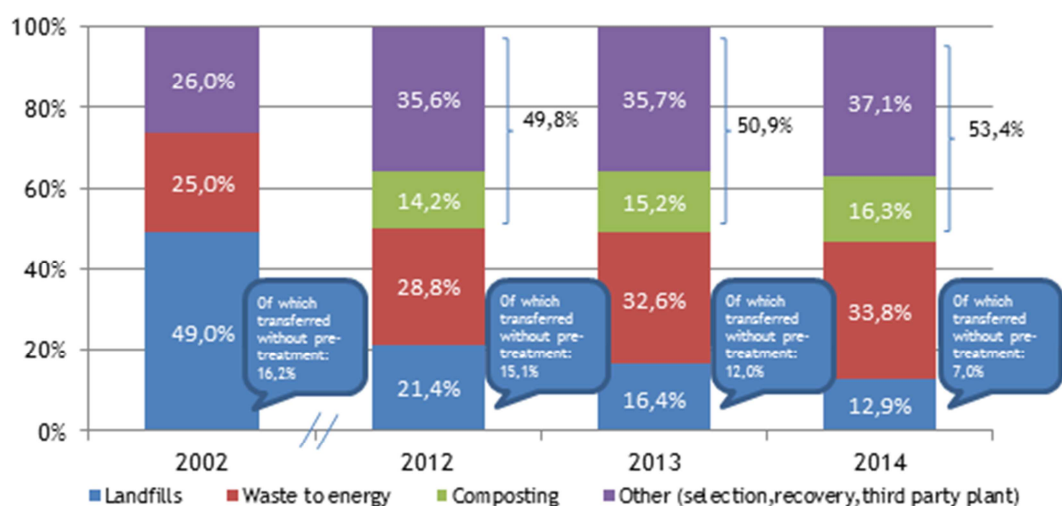
thousands of t	2012	2013	2014
Hera	1,593.3	1,582.1	1,605.1
AcegasApsAmga	-	254.5	257.1
Marche Multiservizi	177.5	174.1	165.6
Total	1,770.8	2,010.6	2,027.8
kg per inhabitant (Hera Group)	631	606	605
kg per inhabitant (excluding AcegasApsAmga)	631	620	615

The data relating to waste collected per capita do not include waste from shorelines.

The area served by Hera is characterised by a high level of assimilation and, as such, has one of the highest annual per capita waste production rates in Italy: **605 kilograms per inhabitant** (615 kilograms per inhabitant if you exclude AcegasApsAmga), compared with a national average of 487 kilograms in 2013 (source 2014 Ispra Urban Waste Report).

Urban waste collected by destination





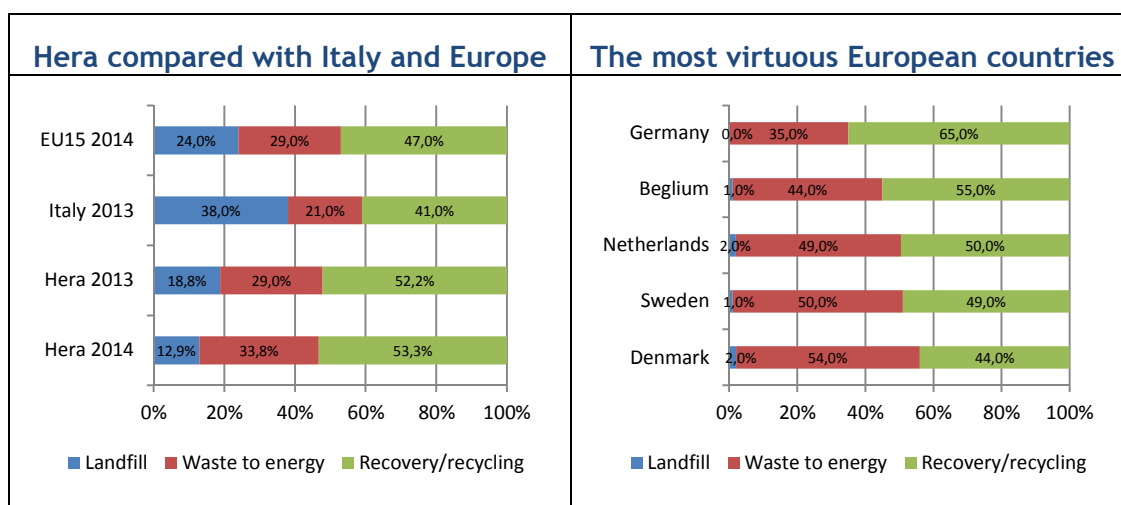
In contrast with the slight increase in urban waste production as previously described, in 2014 there was a further reduction in the amount of waste disposed of in landfills (-5.9 percentage points compared with 2013). This stems from the Group's goals which, in line with national and European regulations, involve **reducing the use of landfills** and increasing separate waste collection. The latter generated an increase in waste treated at selection and recovery plants (+2.4 percentage points).

In 2014, the portion of **urban waste disposed of in landfills** following pre-treatment came to 12.9%, compared with an Italian average of 38% in 2013 (source: Eurostat).

Disposal of waste in Italy and Europe

National and EU regulations define principles and priorities for waste management, from minimising waste at source to material recovery, energy recovery and, only as last resort, disposal in landfills.

At European level the trend of reducing the use of landfills for disposing of urban waste continues: in the EU-15 the figure was 24% in 2013 while in the EU-27 it was 31% (source: Eurostat). However, landfills are still the main way of treating waste in Italy (source: Eurostat): 38% of disposed urban waste in 2013 was transferred to landfills compared to 21% sent for waste-to-energy treatment.



In Europe the most virtuous countries are Germany, Sweden, Belgium, the Netherlands and Denmark. In these countries little or no urban waste is disposed

of in landfills while the figure for waste-to-energy treatment is somewhere between 35% and 54%. The remainder is sent for recycling. According to the Group business plan, in 2018 the area served by Hera will be even more in line with European best practices.

The Decoro Urbano project

With the “Decoro Urbano” project, Hera goes beyond the straightforward cleaning of the city to fine-tune its service also through the painstaking choice of aesthetically pleasing bins. The aim is to improve the urban environment, particularly historic centres and elegant thoroughfares, beginning with the scheduling of periodic cleaning, the removal of graffiti and extraordinary maintenance activities, but also including the development of new rubbish bins.

The new bins designed for historic centres and high-profile areas are decorated in such a way that they seamlessly and discreetly blend into the urban context. The panels attached to the bins indicate which type of waste can be disposed there and employ new textual and figurative content as well as the various colours already used for each material. New developments include the QR code, which enables smartphone users to connect instantly to the separate waste collection guide at www.ilrifiutologo.it.

The cleaning, graffiti removal and extraordinary maintenance activities relating to roadside bins continued in 2014; in addition, 540 skips and igloo bins were equipped with adhesive film and display cases/panels, 35% more than the target of 400 bins.

All in all, over 2,050 applications were made in 2013-2014 and these bins were installed in the historic centres of Bologna, Modena, Ferrara, Ravenna, Rimini, Cesena, Faenza, Imola and Cervia, and in six municipalities in the Modena area.

Waste prevention initiatives

European Directive 2008/98/EC on waste, acknowledged in Italian legislation with Legislative Decree no. 205/2010, defines the following hierarchy in terms of the prevention and management of waste:

- prevention;
- preparation for reuse;
- recycling;
- other types of recovery, such as energy recovery;
- disposal.

Although it operates as waste management manager, and therefore in full respect of the prerogatives of those responsible for waste planning, Hera has developed and participated in numerous initiatives aimed at encouraging waste prevention: in 2014 it was involved in around 20 active waste reduction initiatives. **These initiatives made it possible to prevent the production of around 8,600 metric tons of waste, the equivalent annual production of over 14,200 people.**

The most significant initiatives included:

- “**Second Life**”, the reuse area launched in September 2011 together with the Municipality of Bologna, in the immediate vicinity of a Separate Waste Collection Centre. Two social cooperatives manage the structure (“Fare Mondi” and “La Strada”). In its 3-year lifetime, Second Life has received almost 152,000 objects, putting over 143,000 back into circulation. The most-exchanged items are clothes (42% of incomings and 41% of outgoing) and cultural materials - books, CDs, DVDs, vinyl (19% of incomings and 18% of outgoing);
- “**Edy**” is the creative reuse site that was opened in November 2012 in Modena to give new life to clothes, shoes and other objects that go on sale again at the charity market. Edy was developed by Hera thanks to the contribution of the Emilia-Romagna Region and is managed by the San Francesco Onlus association;

- **“Trashware”**. Developed by student association S.P.R.I.Te. in partnership with the Municipality of Cesena, Hera and the Campus of the University of Cesena, the project is a reference point for those that wish to get rid of dated but functioning computer equipment and for all entities that require reconditioned computers for basic computer activities. The “Trashware” project met its 4th-year goal and will continue to exist thanks to the renewal of the partnership. The number of reconditioned PCs given to schools and associations went from 138 in 2011 to a total of 755 in January 2015.

Among the other initiatives launched, Hera₂O (promotion of tap water at Hera sites) and CiboAmico (donation of unused food in Hera canteens to associations within the local areas) stand out because they are targeted at employees and contribute towards reducing plastic packaging, in the former case, and organic waste in the latter.

Last but not least, there were also:

- the actions designed to promote **“Domestic composting”**, through the free supply of composters by Hera with associated discounts on bills in some municipalities;
- **“Toner Eco-boxes”**, containers for sending used toner cartridges for recycling, mainly distributed in schools in the areas served by the Hera Group. Eco-box is a service for the separate collection, transportation and reuse/recovery of non-hazardous special waste, known as “used electronic printing system consumables”, which has been active for several years. The initiative is carried out in association with Ecorecuperi, a Solarolo (Ravenna)-based company.

Separate waste collection

More and more services launched to recover waste

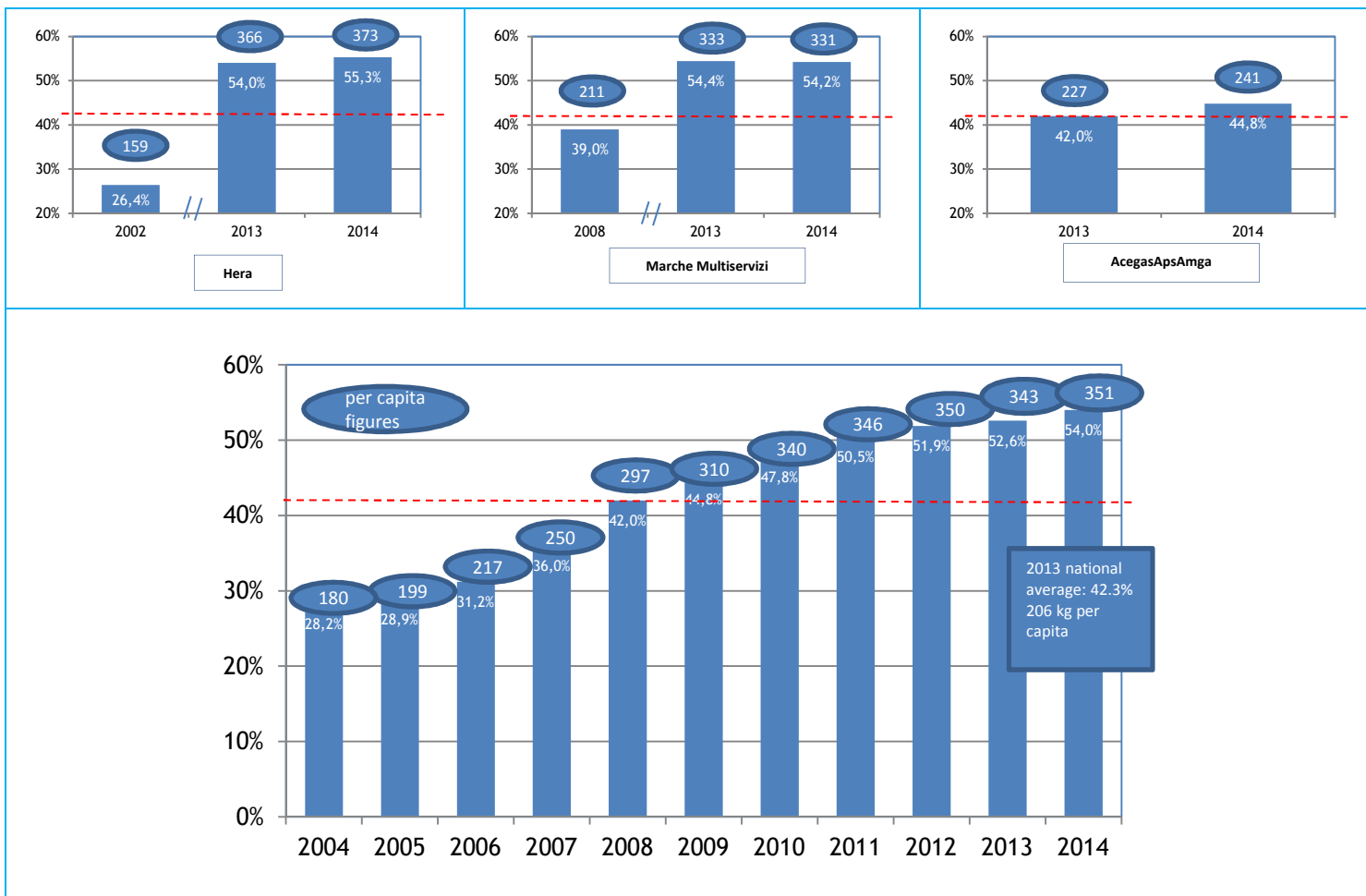
The area served by the Hera Group has a very well-structured collection system that makes it possible to separately collect numerous different types of urban waste, reconciling the needs of the Municipalities with management efficiency and effectiveness.

The main types of separately collected waste are:

- **packaging and similar**: paper and cardboard, plastic, glass, aluminium and steel cans, wood;
- **durable goods**: iron, waste from electrical and electronic appliances (WEEE) and bulky waste;
- **compostable waste**: kitchen organic waste and “green” waste from prunings and residues;
- **other waste**: inert materials from small demolition materials, mineral oil and used cooking oil, batteries and accumulators, medicines and other dangerous urban waste.

The Hera Group system involves collection via both **roadside rubbish bins** (skips, igloo bins and bins) and **door-to-door** collection (both domestic users and “targeted” collection for non-residential users. Excluding AcegasApsAmga and Marche Multiservizi, there are **142 Separate Waste Collection Centres** (or Equipped Drop-Off Points) for the direct disposal of waste by the public. Many Collection Centres are equipped with weighing and user-recognition systems that make it possible to track waste disposal and apply tariff discounts.

Separate waste collection



The percentage of separate waste collection is calculated including the quantities of waste deriving from road sweeping and excluding the waste from the shore and, since 2013, taking into account Decree of the Regional Government of Emilia-Romagna no. 2317/2009. The calculation of separately collected waste also includes similar waste transferred by manufacturers for recovery and separately collected waste from third parties or directly from municipalities. The differing criteria for assimilation laid down by Atersir, the Water and Waste Regulatory Authorities and municipalities may be responsible for quota differences from one area to the next.

At Group level, the percentage of separated waste, which represents the relationship between the quantity of urban waste collected in separate form and total urban waste, went from **52.6% in 2013 to 54.0% in 2014**. Excluding AcegasApsAmga and Marche Multiservizi this value rises to 55.3%. National average is about 42,3% in 2013 (source: ISPRA).

The calculation of the Group's separate waste collection also includes similar waste sent for recovery by the manufacturer and separate waste collected from third parties as provided by Decree of the Regional Government no. 2317/2009, implemented in the municipal and local regulations in force. In 2014, this amount of waste was equal to around 143 thousand metric tons, excluding AcegasApsAmga and Marche Multiservizi, or 15% of the total amount of separate waste collected. The target for separate waste collection is: 56.9% (57.7% for Hera S.p.A., 49.2% for AcegasApsAmga and 60.5% for Marche Multiservizi.)

In the 9 provincial capital cities managed by Hera, in 2013 the level of separate waste collection came to 47.1% as compared with a national average of 36.2% in Italy's provincial capital cities and 47.0% in the cities of Northern Italy (source Legambiente, Ecosistema Urbano)

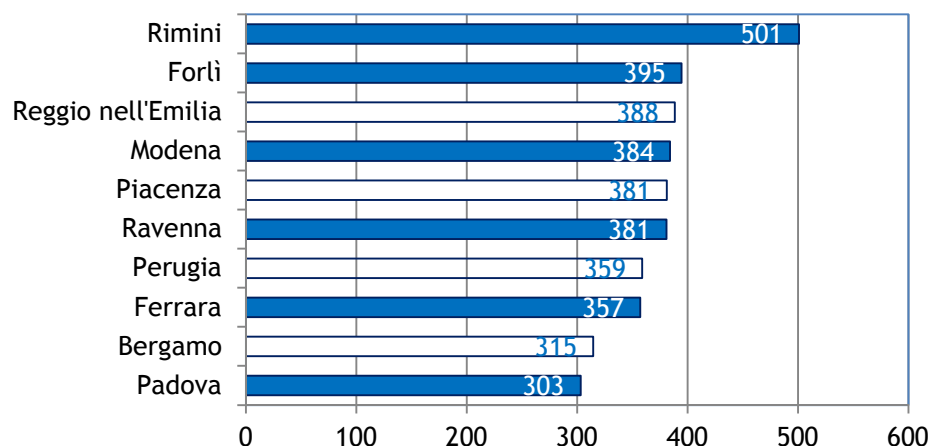
When considering the effectiveness of separate waste collection, one useful indicator is the **quantity per capita figure, expressed in kg/inhabitant/year**, which makes it possible to carry out **important analyses on the quantities of waste sent for recovery**, both overall and by single supply chain. In 2014, the amount of **separated waste collected per capita** came to 351 kilograms per inhabitant, 2.3% up on the previous year. The comparison with the 2013 average national figure, as established by Legambiente, remains quite significant: 206 kg per capita with 266 kg in the North (source: ISPRA).

The cost of collecting and disposing of urban waste is also influenced by the revenues deriving from the sale of separately collected and recovered material or the contributions that Conai (the national packaging association) makes to the service manager. In 2014 these revenues and contributions came to 12% of the direct costs of separate waste collection (including the cost of treating and recovering waste).

Separate waste collection in the main Italian cities

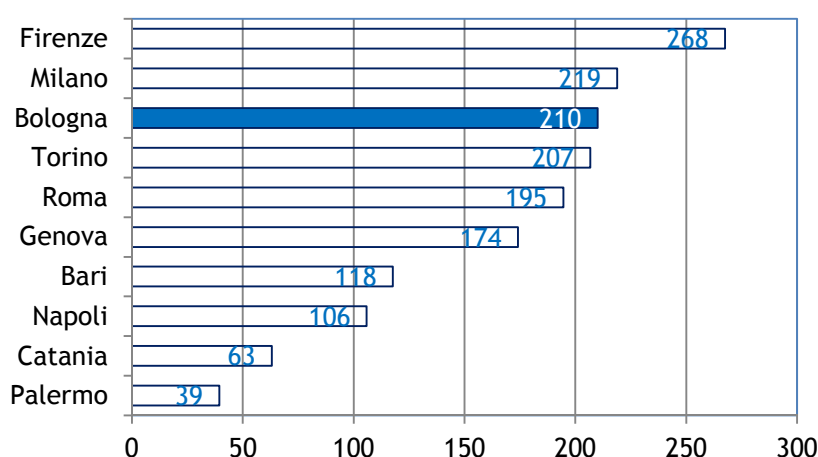
Considering provincial administrative centres with populations of over 100,000 inhabitants, **6 of the top 10 best-performing cities in Italy** in terms of per capita separate waste collection are managed by the Hera Group.

Per capita separate waste collection, kilograms, municipalities with over 100,000 inhabitants (2013)



Meanwhile, considering provincial administrative centres with populations of over 300,000 inhabitants, Bologna is third in Italy (source: processing of Legambiente, Ecosistema Urbano 2014 data)

Per capita separate waste collection, kilograms, municipalities with over 300,000 inhabitants (2013)



2014 was characterised by a great deal of project activity that led to major changes in the services and, in particular, an improvement in the efficacy and quality of separate waste collection. The most significant projects included:

In the Province of Modena joint organic and green waste collection was separated out into “organic” (mainly “wet” kitchen waste) and “pruning and residue” (produced by the maintenance of green areas) collections. This project was developed in early 2014 and implemented in May, and was fully operational by November. The goal of the project is to consign materials to their specific treatment chains with the optimisation and limiting of associated costs.

In the Municipality of Ferrara, the “Progetto qualità legno” (Quality wood project) was launched with the aim of establishing “band A” separate waste collection dedicated to targeted users.

The measures launched in multiple areas included the introduction of the “mixed” system (door-to-door unseparated and organic waste collection, roadside bins for paper, plastic and glass) in some municipalities of the Province of Ravenna and Forlì Cesena (for a total of 5,000 inhabitants) and door-to-door collection in the Municipality of Forlì and in some municipalities in the Province of Rimini (22,000 inhabitants).

New waste collection centres (Drop-Off Points) were opened in the Municipalities of Rimini and Sant’Agata sul Santerno while the Fiorano Modenese WDF was revamped.

Across-the-board projects spanning the entire area served included: environmental communications projects (the “Rifiutologo” (Wasteologist) app, “change the outcome” reduction of bulky waste, creation of the new corporate website, brochure on waste management services, initiatives with incentives for promoting waste collection centres); the “Identis WEEE” project for the development of a system of “intelligent” bins for the collection and traceability of electric and electronic equipment waste (WEEE); and the “Decoro Urbano” project aimed at making roadside bins more aesthetically pleasing in valuable urban contexts.

The activities to improve the service do not stop at the measures mentioned but will continue in the future through a number of projects at the study or design phase, the most significant of which include:

- The launch, in the Savena area of the Province of Bologna, of the model with Basic Drop-Off Points and the use of the unseparated waste traceability and control system (‘lid’ system), already successfully used across the Province of Rimini;

- Reorganisation of the separate waste collection system in the Municipality of Modena according to each standard area type: door-to-door or “street furniture” mini drop-off points in historic centres, door-to-door in manufacturing areas, roadside with basic drop-off points and unseparated waste disposal limiter in residential areas;
- Strengthening of communications with the goal of increasing the efficiency of separate waste collection: in particular, a pilot project on glass will be launched;
- Expansion of the functions of the “Il Rifiutologo” (Wasteologist) app as a tool for the interface and relationship between waste management services and citizens;
- Launch of trial projects on precise tariffs for both roadside and door-to-door collection systems
- “Multibusiness” remote reading project that collates the data collected by meters and bin devices for the gas, water, electricity, district heating and waste management services.

In 2014, 1,163.1 thousand metric tons of separated waste was collected (1,045.5 excluding AcegasApsAmga, +3% compared with 2013).

As regards the individual areas, of particular relevance was the growth of separate waste collection in the Bologna area (+9.4%). Also positive were the results in Imola-Faenza (+4.8%) and Forlì-Cesena (+4.4%). The only reduction was in the Modena Area (-0.5%), which was related to a general overall reduction in urban waste (-1.4%). Separate waste collection also enjoyed constant growth in Padova and Trieste.

In terms of percentages of separate waste collection, the Rimini area has exceeded the 60% mark (62.6%) with Modena and Ravenna just behind. Bologna confirms the significant growth trend with an increase of almost 3 percentage points.

Below is an outline of the collection trends of the various waste materials in 2014, in comparison with 2013:

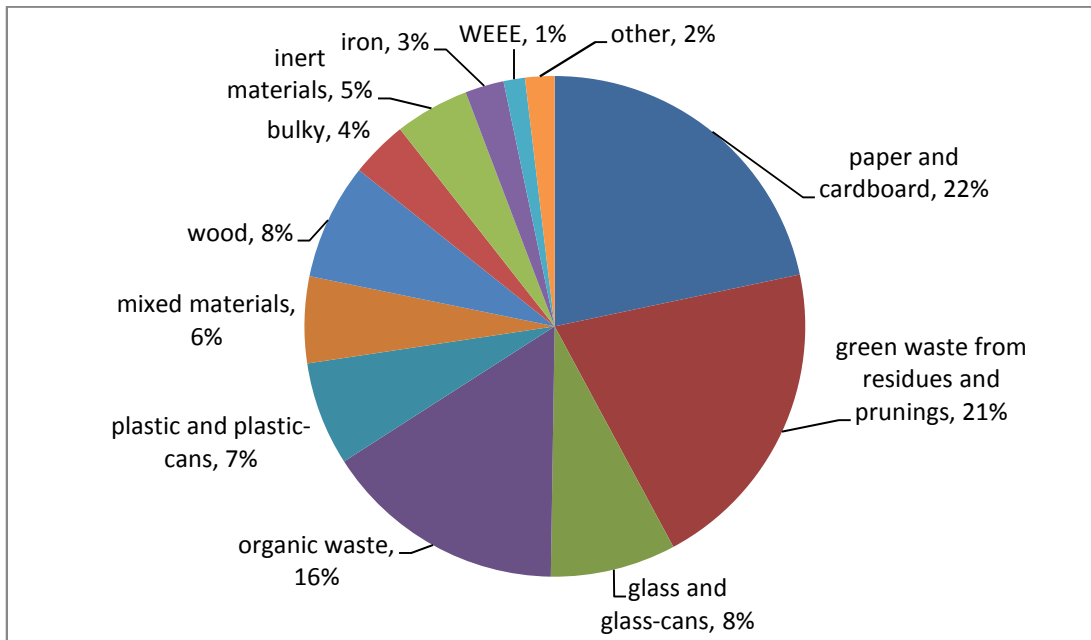
- strong growth for organic (+9.2%);
- significant growth for plastic (+5.2%), green waste (+4.7%), ferrous metals (4.5%), paper (+3.7%), bulky waste (3.7%) and WEEE (2.5%);
- fall in the collection of mixed materials (-9.6%), inert materials (-4.1%) and wood (-2.0%).

Separate waste collection (breakdown by waste type)

Thousands of t	2012	2013	2014
Paper and cardboard	211.8	243.3	252.1
Green waste	188.9	227.0	237.8
Glass	84.9	94.6	94.3
Organic waste	140.2	167.1	182.5
Plastic containers	71.2	73.6	77.5
Mixed materials	48.6	71.6	64.7
Wood	79.8	88.2	86.5
Bulky	39.8	41.8	43.3
Inert materials	54.9	57.9	55.5
Iron	27.5	27.5	28.8
WEEE	13.7	15.7	16.1
Other	10.2	13.4	21.6
Total	971.5	1,121.7	1,160.7

Separate waste collection by waste type is calculated here taking account of Decree of the Regional Government no. 2317/2009.

Separate waste collection by waste type (2014)



Collection of bulky waste

Because of its type, size and weight, bulky waste **cannot be disposed of in bins for urban waste**. It also includes large WEEE. Hera currently offers the following options for the collection of bulky waste and WEEE, so it can subsequently be recovered or disposed of:

- disposal at a Separate Waste Collection Centre;
- home collection service on request.

In the case of WEEE it is also possible to **return old products to resellers** when purchasing new ones.

Excluding AcegasApsAmga and Marche Multiservizi, in 2014 the Group received **66,952 requests for the collection** of bulky waste, down compared with the previous year (-8%). Including waste disposed of at Separate Waste Collection Centres and waste dumped without notification, a total of over 50,000 metric tons was collected (+7% compared with 2013). This converse trend (fewer requests but more waste) is down to the development of prevention initiatives that have lessened the impact on local collection and, together with the development of targeted information campaigns, have led to an increase in the use of Drop-Off Points as the final destination for this type of material.

It is estimated that around 25% of all bulky waste is left in the street, this despite the fact that the average time taken to meet home collection requests is very good (less than 7 days from when the request is made) and that there is an extensive network of Separate Waste Collection Centres. This practice of dumping rubbish on public land has a significant environmental impact and contributes greatly to urban decay. For this reason, in 2012 the Hera Group put together a project to improve the collection of bulky waste, the aim being to increase the quality and the range of its services and to inform and raise the awareness of the public.

Part of the unseparated waste collected is also sent for recovery via processing at mechanical screening plants. In 2014, around 80 thousand metric tons of unseparated waste was sent to these plants, equal to 10% of all unseparated waste collected. Ferrous metals (approx. 2,000 metric tons sent for recovery in 2013) and the humid fraction of waste (50,000 metric tons sent to composting plants for the production of biostabilised compost for landfill capping) are separated from these materials.

Waste disposal

Hera manages a plant system that is unique in Italy in terms of its comprehensiveness and level of integration

The Hera Group, through its subsidiary Herambiente, manages 80 treatment plants for the recovery and disposal of urban and special waste. AcegasApsAmga manages two waste-to-energy plants and Marche Multiservizi manages two landfills and one biostabilization plant. This plant system represents a unique integrated and complete model in Italy that allows the Group to effectively and appropriately respond to EU and Italian legislation regarding the management of both urban and special and industrial waste, providing a range of services that is increasingly geared towards the customer. To this end, 2014 stood out for a series of corporate operations such as the creation of Herambiente Servizi Industriali and the acquisition of Herambiente Recuperi, companies that work exclusively in the areas of industrial services for customers and the recovery of materials for the production of secondary solid fuel.

The system involves various types of plants: storage and initial pre-treatment plants, plants for the selection and recovery of dry material (paper, cardboard, glass, plastic and tins), composting and anaerobic digestion of the organic fraction with energy recovery, waste-to-energy plants with high energy recovery, landfills, chemical-physical treatment of liquid waste, treatment, pre-treatment and reconditioning of muddy waste and pulverulents.

The following developments occurred in 2014:

- the anaerobic digestion plants of Cà Baldacci (Rimini) and Voltana (Ravenna) became fully operational;
- operations began at the new Bologna plant for the recovery of the dry fractions deriving from separate waste collection;
- a number of important energy saving measures took place at Modena waste-to-energy plant;
- increase in the volumes of landfills in Voltana (Ravenna), Zocca (Modena) and Ravenna.

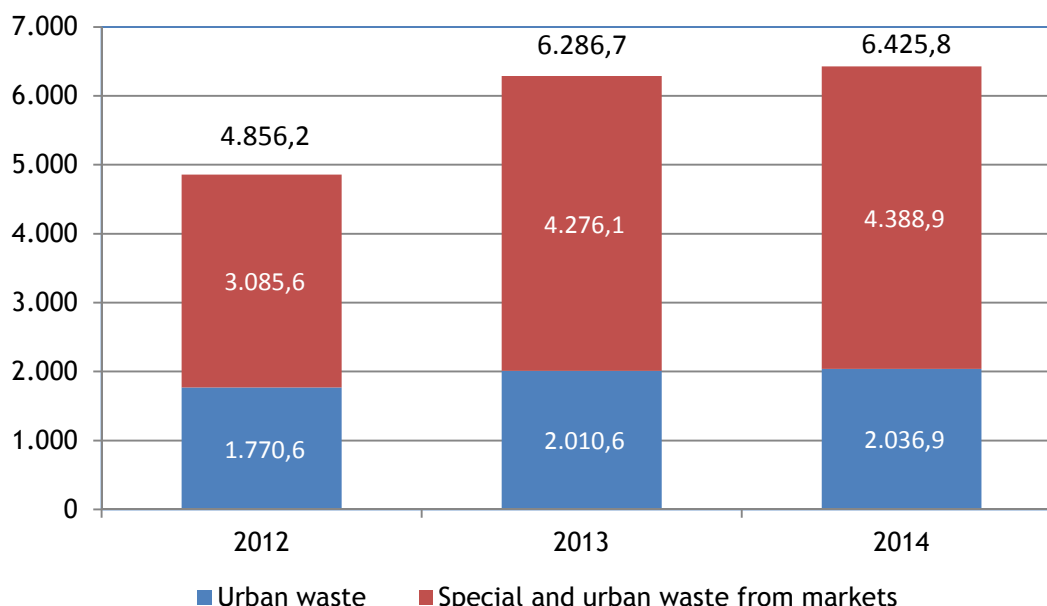
Below is a summary of some of the main environmental measures which either concluded at the end of 2014 or are still ongoing. These 10 measures are worth over Euro 12 million.

Main waste treatment plant improvement measures

Plant	Status 31.12.2014	Type of measure	Environmental benefits expected/obtained
S. Agata Bolognese (Bologna) composting plant	Planning stage (conclusion 2017)	Introduction of an anaerobic section for the production of biomethane	Production of biomethane from separate waste collection (approx. 6 mm ³ /year according to estimates)
Sludge treatment - Cervia	Concluded	Development of civil works to improve the plant	Recovery of purification sludge
Composting - Rimini	Concluded	Implementation of measures to optimise the treatment of polluted air	Reduction of odorous emissions
Pago landfill - Imola	Ongoing	Expansion and restructuring of tanks	Increase in storage capacity and reduction of accidents with leachate spills
Tre Monti landfill - Imola	Planning stage	Development of a new biogas recovery system	Increase in energy collection and recovery capacity
Ravenna waste-to-energy plant	Concluded	Reconfiguration of electrical system to leverage internal consumption	Energy savings
Rimini waste-to-energy plant	Concluded	Improvement in the safety of the waste disposal area and implementation of an air treatment system	Reduction of odorous emissions from the waste pit and improvement in safety conditions.
Modena waste-to-energy plant	Concluded	Improvement in the plant's energy performances	Energy savings
Tremonti landfill		Landfill capping lots 1 and 2	Renaturalisation and landscape mitigation
Landfill - Cà Lucio (Pesaro Urbino)	Ongoing (conclusion 2015)	Development of a plant for the treatment of leachate (reverse osmosis)	Reduction in the transportation of leachate and the relative atmospheric emissions of the vehicles

The work on the Sant'Agata Bolognese composting plant forms part of a relevant and innovative project that Herambiente intends to carry out in order to respond to the growing production of organic waste from separate waste collection. The project entails the transformation of the current composting plant at Sant'Agata Bolognese through the introduction of a semi-dry anaerobic digestion section for the production of biogas and the subsequent purification of same to remove CO₂ and traces of pollutants in order to obtain a biomethane that can be introduced to the nearby distribution network. The project aims to produce around 6 million cubic metres of biomethane, treating around 100,000 metric tons a year of organic waste deriving from separate waste collection. The design plan, currently under examination, is also considering the possibility of using this fuel for automotive power.

Waste treated by type



Urban and special waste disposed by plant type

thousands of t	2012	2013	2014
Separation plants	0.6	-	-
Selection plants	320.4	378.1	445.6
Waste-to-energy plants and biomass plants	955.0	1,410.6	1,402.4
Compost and stabilisation plants	485.9	527.8	478.3
Landfills	1,219.4	1,252.2	1,137.3
Stabilisation and chemical and physical treatment	754.0	1,094.3	1,182.3
Third party plants / Other plants	1,120.9	1,623.7	1,779.9
Total	4,856.2	6,286.7	6,425.8

The data refer to plant inflow waste. Duplication may therefore be included. Some of the waste treated in selection plants, for example, may be targeted for landfill disposal following selection treatment. The outgoing waste from plants which were counted among the final use plants was subtracted from the quantities treated in the separation plants.

The increase in the total quantities treated in 2012 and 2013 was influenced by the acquisition of AcegasApsAmga whose quantities accounted for around 10% of all waste disposed of in 2013.

There was an increase at the selection plants in 2014 mainly due to the increase in special waste from the market and, to a lesser extent, the increase in separate waste collection (paper, plastic, wood, mixed materials collection), thanks also to the fact that the new Bologna plant became fully operational (34,000 metric tons). There was an increase in the amount of waste processed at the Herambiente waste-to-energy plants (+4.4% or 42,000 metric tons) offset by a reduction at AcegasApsAmga plants (-5% or 19,000 metric tons).

A lower quantity of waste was disposed of at landfills (-9% compared with 2013, equal to 115,000 metric tons), following the reduction in the quantities of unseparated urban waste and inert materials.

The increase in the waste treated at chemical-physical plants (+8%, equal to 88,000 metric tons) is due to the full functioning of the Ravenna plants while in third-party plants the increase (+10% or 157,000 metric tons) is down to the increase in separate waste collection.

The objective for 2015 is to further reduce the use of landfills for the disposal of urban waste with the consequent increase in separate waste collection in order to meet the Group goal of reducing the use of landfills to 9% by 2018.

Recovery plant qualification for the waste-to-energy plants of Bologna, Modena, Ferrara and Rimini

Directive 2008/98/EC, transposed into Italian Law with Leg. Decree 205/2010, introduces a criterion for the calculation of energy efficiency which makes it possible to classify an urban waste incineration plant as an energy recovery plant. This criterion makes it possible to calculate the energy efficiency of the incineration process on the basis of the energy introduced with the waste, the amount of energy consumed and the amount of energy produced (thermal and electrical). In order to ensure that the methods of applying this criterion are consistent, a reference document has been issued at European level for calculating the formula used to calculate energy efficiency.

In addition, with Italian Ministerial Decree of 7 August 2013, the formula was supplemented with a “climatic factor” that takes account of the climate type in the area in which the plant is located. This factor was introduced to offset the effects of the climate both on the production of electricity and on the quantities of unused heat produced; in fact, the energy performances of plants located in countries with warm climates are “physiologically” inferior to those located in colder areas. As well reflecting the quality of the investments made over the years to adopt the best available techniques at the plants, the status of “recovery plant” also makes it possible to attribute the plant a role of primary importance in the waste management system.

In fact, while the urban waste destined for disposal is subject to the “principle of self-sufficiency in the ATO”, urban waste destined for recovery is subject to the “principle of proximity”, meaning that it can be sent to the nearest recovery plant, not necessarily present in the ATO to which it belongs.

Having verified that the energy efficiency criterion, as established by the regulation, has been satisfied, to guarantee that an incineration plant is managed like a recovery plant it is necessary to modify the authorisation that governs its activities (Integrated Environmental Authorisation). These changes to the authorisation are not substantial as they do not result in increases to the potential of the plant nor to changes to previously authorised emission levels.

The Herambiente Group-managed incineration plants in Ferrara, Bologna, Modena and Rimini currently operate as R1 recovery plants, as do the co-incineration plants in Ravenna and Pozzilli (Isernia). The procedures for Forlì are currently ongoing.

These issues have been further examined at European level in recent times and the corrective coefficient for the climate factor is due to be reduced from 1.38 to 1.25. Even in this new light, the Herambiente maintain the R1 qualification they have obtained.

This network of plants makes it possible to manage the flows of unseparated urban waste in the area meaning that, in the event of the shutdown of the reference plant, this waste can be sent, either in full or in part, to the closest energy recovery plant limiting the use of landfills and, in this way, pursuing the goals established by European and national regulations as regards the hierarchy of waste treatment.

For example, with regard to the unseparated urban waste collected in the area of the Province of Rimini, if there was a shutdown at the Coriano (Rimini) plant or the quantities of waste produced exceeded its treatment capacity - during periods of peak tourism for example - the waste would be sent for energy recovery at the closest available plants (e.g. Ravenna) and no longer disposed of at landfills.

In addition, with regard to the systemic benefits at national level, it is important to remember that the sending of urban waste for energy recovery, no longer subject to limitations in terms of its circulation in regional/provincial areas, enables Italy to comply with European legislation as regards the self-sufficiency of individual Member States. This principle has been repeatedly violated by Italy because of the mass transfer of waste to similar Northern European plants, a practice that has seen multiple violation procedures taken out against the country.

The practice of exporting waste has also negatively impacted on the balance of payments with VAT obviously paid in the countries receiving the waste rather than in Italy.

The “Sblocca Italia” Decree and the new waste disposal legislation

Art. 35 of Italian Legislative Decree 133/2014, converted with the amendments in Law 164/2014 into the so-called “Sblocca Italia” law, aims to develop an adequate and integrated system at national level for the management of urban waste and to meet the separate waste collection and recycling goals.

This objective also seeks to meet the goal of guaranteeing national safety in terms of self-sufficiency and, as a result, to circumvent and prevent additional violations for the failure to comply with European regulations in the sector. One of the key aims of this is to limit the disposal of waste in landfills. In this context, the use of waste-to-energy technology, an alternative to landfill disposal, represents a solution to the various sanctions imposed on Italy by the European Court of Justice, the last of which, totalling Euro 42.8 million for every six months of non-compliance, came in December 2014 for the ongoing non-compliance of the authorisations relating to 198 landfills in Italy with the European Directive.

Thanks to the important investments made by the Hera Group in the last decade, Emilia-Romagna is one of the few Italian regions that does not risk descending into an emergency situation in the next 20 years as regards the recovery and disposal of waste.

In application of the principles and goals defined in art. 35, the Hera Group uses the following hierarchy to identify the priority criteria for the saturation of the capacities of its WTE plants

- Local urban waste;
- Regional urban waste;
- Urban waste from outside the region according to the resolutions of the relevant bodies;
- Non-hazardous special waste until saturation of residual heat load.

Special waste: assimilated, hazardous and non-hazardous

When you talk about waste you immediately think of domestic rubbish. However, in reality household rubbish does not even represent 20% of all waste produced.

Indeed, in Italy, where over 170 million metric tons of waste is produced a year, **around 140 million is special waste, i.e. rubbish generated by production activities**, while around 31 million metric tons is made up of urban rubbish. In Emilia-Romagna, **out of around 11 million metric tons of waste produced in total, around 3 million takes the form of urban waste.**

Despite its predominance, special waste becomes invisible in the collective imagination as it is far removed from daily life and also because of the different kind of treatment reserved for it by the law.

In fact, **urban waste must be collected and disposed of in the province in which it is generated** at a cost, for the general public, that is pre-established by the authorities. Conversely, special waste must be disposed of by the producer and for this companies use operators that best cater to their needs, also economically speaking.

Special waste is therefore often transported quite far from where it is actually produced: other provinces, other regions or even abroad. Over the years this inferior visibility, often united with an inferior degree of traceability, has been reflected in strategic planning deficiencies with regard to disposal plants, and unfortunately this tends to lead towards illegal forms of disposal, which for years has swelled the coffers of the so-called **environmental mafia**.

The Legambiente “Ecomafia 2014” report pointed to a slight fall in the total number of crimes committed, yet the numbers relating to crimes in the waste cycle remain incredibly high (+14.3% compared with 2012). The majority of crimes recorded (47%) once again took place in the four regions with a traditional mafia presence, with Campania leading the way (4,703 violations) ahead of Sicily (3,568), Puglia (2,931) and Calabria (2,511).

Urban and special waste production by province (2012)

thousands of t	Urban waste	Non-hazardous special waste	Hazardous special waste	Total special waste	Total waste
Modena	442	1,619	81	1,700	2,142
Bologna	546	1,105	165	1,270	1,816
Ferrara	237	584	55	639	876
Ravenna	302	1,147	167	1,314	1,616
Forlì-Cesena	295	536	44	580	875
Rimini	257	265	59	324	581
<i>Total provinces in Hera operating area</i>	<i>2,079</i>	<i>5,256</i>	<i>571</i>	<i>5,827</i>	<i>7,906</i>
Piacenza	183	382	125	507	690
Parma	245	565	33	598	843
Reggio Emilia	385	895	56	951	1,336
Total Emilia-Romagna Region	2,892	7,098	785	7,883	10,775

Source: Arpa processing of data from MUD, taken from RER Arpa - The management of waste in Emilia-Romagna - Report 2013-14.

Waste classification

In Italian law the **classification of waste is based on the place in which the waste was generated** (home or production environment) and not on physical, chemical or product characteristics.

Legislative Decree no. 152/2006 classifies waste as urban or special waste on the basis of its origin, and, only downstream of this classification, according to its level of dangerousness, i.e. hazardous or non-hazardous.

Urban waste is domestic waste (also bulky) produced by homes, waste from the cleaning of streets and other public places, vegetable waste from green areas and any type of waste dumped or present in public areas, including beaches and riverbanks, whose production cannot be traced to a specific source. Also classed as urban waste is non-hazardous special waste originating in premises and places not used for dwelling, assimilated to urban waste in terms of quality and quantity by the Municipal Regulations (or supra-municipal authorities) on the basis of the general guidelines dictated by the State; this waste is special in terms of origin but, once assimilated, is managed (collected or disposed of) together with domestic urban waste and subject to levies or taxes.

Special waste is waste from agricultural, construction, artisanal, industrial, sanitary, commercial and services activities, waste deriving from waste recovery and disposal activities, water treatment sludge, mining or decontamination.

Waste is classified as hazardous or non-hazardous depending on the substances it contains. Hazardous urban waste is made up of domestic waste that contains pollutants or toxic substances in such measures that they have to be disposed of in

special plants (e.g. medicines and batteries). Hazardous special waste is generated by production activities and contains the aforementioned pollutants or toxic substances. The line between urban waste and special waste is therefore established by the assimilation regulations defined by national law and applied at local level.

Every municipality can apply the criteria for assimilating waste deriving from production, commercial and tertiary activities in a different way. **The more waste that is assimilated to urban waste, the less special waste is left to be managed by the private sector** with the risk of inferior controls and traceability. In the areas managed by the Hera Group, and in Emilia-Romagna in general, there is a high level of assimilation: it is estimated that the waste managed as part of the public service comprises 50% waste of domestic origin and **50% waste of non-domestic origin**, i.e. assimilated special waste. It is also estimated that there is around 1.5 million metric tons of special waste that could be assimilated for its characteristics (i.e. non-hazardous) but which is not assimilated because it is produced by a single production business in quantities above the established limit. Unlike in Italy, in Europe the classification of waste is more directly related to its level of dangerousness and the type of treatment it undergoes.

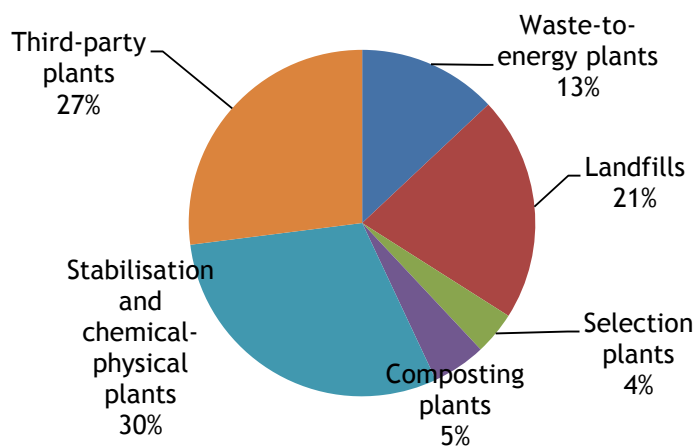
	Non-hazardous waste	Hazardous waste
Urban waste	Domestic waste (dry and organic) Waste from the cleaning of streets and other public places Assimilated urban waste	Batteries, lead accumulators Environmentally harmful packaging TVs, monitors, fridges, air conditioning units and lamps Mineral oils
Special waste	Waste from agricultural and agro-industrial activities Inert materials and bricks (deriving from construction and demolition businesses) Commercial and industrial packaging Plastics and glass processing waste Artisanal and industrial Deriving from waste recovery and disposal operations, also urban	Petrochemical and pharmaceutical production waste Metallic waste Sludge from reclamation activities Used oils Medical and veterinary research waste

Special waste supply chain at Hera

The flow of special waste treatment at Hera is highly structured given the variable nature of this waste that derives from industry, from the purification of wastewater, from construction, from the commercial and services sector, and from the healthcare sector. Herambiente has 27 plants exclusively equipped for the disposal of special waste, with over 4 million metric tons managed in 2014 (including sub-products deriving from Group plant activities).

There are disposal limits defined, plant by plant, by provincial authorisations or by integrated environmental authorisations.

Special waste disposed of by plant type (2014)



Waste produced by Hera

In 2014, excluding AcegasApsAmga, the Group produced around 2.2 million metric tons of waste. There was a fall in leachate, mainly due to the capping of a number of landfills, and an increase in the production of non-reusable fractions due to the greater quantities treated by the selection, composting and biostabilisation plants.

Main types of waste produced by Hera

thousands of t	2012	2013	2014
Sludge from purification, treatment and distribution	121	118	114
Sand from treatment plants	18	19	15
Ash from purification sludge incineration	3	4	4
Other sludge produced by the Territorial Operating Structures (sewer cleaning, septic tanks, etc.)	3	3	5
Other waste produced by Territorial Operating Structures	1	3	3
Waste-to-energy plant electrofilter dust	42	45	42
Waste-to-energy plant waste	201	207	197
Solid waste from stabilisation	42	62	65
Sludge produced by chemical-physical-biological plants	60	62	78
Sludge treatment water	356	612	625
Separated oils produced by chemical-physical-biological plants	0	1	1
Surnatant from chemical-physical-biological plants	130	120	109
Leachate from landfills	395	778	683
Scavenging water/sludge from waste-to-energy plant fumes	77	44	42
Non-reusable fractions from plants for selection and for the production of fuel from waste	176	222	287
Other waste from Herambiente storage and plants	48	38	28
Total	1,673	2,338	2,299

Data refer to Hera S.p.A., Herambiente, Akron, FEA, Nuova Geovis, Romagna Compost, Marche Multiservizi.

Recovery of waste-to-energy treatment plant waste

The waste-to-energy plant growth and renovation plan pursued by Herambiente in recent years has had a positive impact on the production of combustion waste. The new combustion systems and, above all, the systems for the “cooling” and extraction of “gondola”-type combustion waste, make it possible to have waste with a very low quantity of unburned matter and reduced water content. This has resulted in a **lower percentage of waste produced** and, above all, a **waste quality level more suitable for subsequent recovery**.

In 2014 the 10 waste-to-energy plants managed by the Group for the disposal of urban waste produced **277,480 metric tons of waste**, equal to 19% of the waste treated at these plants. **80% of the waste produced was recovered** while the remaining 20% was disposed of at landfills. The waste produced by the Herambiente plants destined for disposal was sent to the landfills managed by ASA Bologna and Sotris in Ravenna, while the waste to be recovered was sent to plants in the Provinces of Pavia, Verona, Brescia and Parma. All of the waste produced by the AcegasApsAmga plants is recovered in third-party plants in the Provinces of Verona and Brescia.

The recovery takes place in third party plants. The waste is used to produce second raw materials, which are used in the production of concrete and bricks. During the process, ferrous and non-ferrous metals are recovered and then reused in the metallurgical industry.

Biodiversity

As regards the protection and conservation of habitats and wild species, the EU issued two directives, Directive no. 409/79, adopted in April 1979, regarding the conservation of wild birds (the “Birds Directive”) and Council Directive no. 43/92, adopted in May 1992, regarding the conservation of natural habitats and wild flora and fauna (“Habitats Directive”). These Directives created a consistent ecological network of protected areas in the European Union, known as Natura 2000.

In the Province of Ferrara, the two largest water collection plants (Pontelagoscuro and Stellata, on the Po River) are located within the Special Protection Area called “Fiume Po da Stellata a Mesola e Cavo napoleonico”. Meanwhile, in the Province of Ravenna, the Marina di Ravenna treatment plant is located within the EU Conservation Area “Piallassa Piombone” and disposes of the wastewater treated within the “Piallassa Baiona” SPA. Within these two plants, in order to protect biodiversity, Hera carries out acute toxicity tests. In the period 2005-2014, these tests demonstrated that the water disposed of was not toxic.

In association with the “Giorgio Nicoli” Environment and Agricultural Centre, in 2014 an area demonstrating the role of organic substances for biodiversity was opened close to the Herambiente plant in Sant’Agata Bolognese.

This educational-experimental area seeks to illustrate the affinity between the cycle of organic substances in nature and the recycling of the organic part of waste through the composting process, as well as the potential contribution of the latter to the proliferation of living beings and biodiversity.

The demonstration area displays three piles of material that seek to highlight the importance of the organic substance in biochemical cycles and for the increase of biodiversity. They also have a plexiglass window at the front so people can observe the proliferation of the organisms within.

Innovation: the main initiatives

Following the introduction of the new organisational structure and the creation of the Innovation Department, there was an update of the strategic lines that led to a break with past years, in which the focus had been on trialling prototype solutions aimed at specific areas such as the search for leaks in the water sector. In 2014, the attention was mainly focused on plant development initiatives in the waste management services area and technological innovation in the wider sense,

aimed, for example, at creating new services for the Green City or supporting energy efficiency services.

The main projects were:

- **Biorefinery.** This project consists of the revamping of the Sant'Agata Bolognese (Bologna) composting plant with the insertion of an anaerobic digestion section and a system for purifying the biogas produced (upgrading). This plant will be able to process 100,000 t/year of organic waste from separate waste collection, and to produce approx. 6.5 million Sm³/year of biomethane. An analysis of the best technologies for anaerobic digestion and the upgrading of biogas was carried out in 2014 and the possible scenarios for the recovery of used vegetable oils were assessed. These assessments led to a preliminary technical/economic feasibility study of the project, which will have to be updated on the basis of the ongoing regulatory evolution relating to the quality of biomethane and the criteria for connecting to the gas network. The completion of the business plan and the consequent decision on the launch of the activities is expected in the first half of 2015.
- **Factory.** This project consists of the development of a new type of plant for the recovery of material and energy from the separate collection of waste such as the organic portion of solid municipal waste, paper, cardboard, plastic and glass. The project plans to treat approx. 40,000 t/year of organic solid municipal waste and 50,000 t/year of dry waste with the possibility of increasing or decreasing the waste treatment sections through scalability studies. The anaerobic digestion of organic waste is expected to produce around 4.5 million Sm³/year of biomethane to introduce into the natural gas network or use as automotive fuel. The concept of the plant was developed in 2014 with the creation of 3D models and simulations, and was followed by a preliminary feasibility assessment. The definitive feasibility study of the project is expected in the first half of 2015 together with the completion of the business plan.
- **Green City.** This term is used to identify a development programme launched at Hera in the second half of 2014. In 2014 the EU approved various initiatives and made funds available to encourage and foster the transition towards “intelligent cities” through measures targeted at the qualitative evolution of cities according to the main growth drivers of smart cities: mobility, living, environment, governance, economy and people. In fact, the European guidelines are the basis for the growth initiatives of the cities in our area. Hera therefore launched a process of identifying and assessing smart services that could be developed and provided to the local authorities in order to support the evolution process in the cities. More specifically, we are focusing on services related to the Group's areas of expertise and enhancing the assets already present in the area. In the second half of 2014 numerous services were assessed on the basis, first and foremost, of the experiences of the world's smartest cities, with the goal of creating a list of priorities for the subsequent technical/economic feasibility study phase to be carried out in 2015. Two main families of services were identified: outdoor services and energy efficiency services.
For the initiatives that present an advantageous business plan, other Group structures will be involved for the launch of the dialogue phase with the Public Administration Authorities for both B2B and B2B2C services.
- **Smart water** (biogas - sludge). This project consists of the mapping of the cogeneration plants and systems installed at treatment plants to evaluate the eventual maximisation of the recovery of biogas and the potential optimisation of process sludge management. In 2014 the Ravenna treatment plant was analysed and the main data relating to the sludge line collected. Action proposals, to be agreed on with the company Business

Units involved, will be identified in 2015 and other Group treatment plants will be assessed.

Other projects included:

- **Automatic Plant Operation Project.** The project, developed in cooperation with ENEA, involves the development of a system for the automatic management of the main function parameters in the water supply service plants. The system shall maintain the process conditions of a specified plant within its maximum efficiency, based on the composition of the incoming wastewater (purifiers) or of the incoming raw water (potability treatment plants). In parallel with the activities described, 2014 saw the launch and conclusion of a trial designed to assess the performance of a system for monitoring the biological section of treatment plants called Oscar (Optimal Solution for Cost Abatement in nutrients Removal).
- **Modelling Project for Plants of the Water Cycle.** This project involves the development of mathematical models for the hydraulic and process simulation of treatment plants. The goal is to acquire the instruments and the know-how necessary to launch the coordination of the mathematical modelling of the water service plants for the Group, which will join the current network modelling. The modelling project relating to the Group's main treatment plant was launched in 2014.
- **Automatic Leakage Detection.** This project consists of studying innovative systems for automatically locating water leaks, to be used with a remote reading system. The experiments focused on the use of vibration sensors and acoustic sensors, clearly identifying the advantages and limits of each technology. The project concluded in late 2014 with the presentation of the final results at the IWA Water Ideas 2014 conference.
- **Energy Recovery in Water Service Plants.** During 2010, a number of appraisals were launched on the possibility of using technologies for energy recovery in the water service plants such as high performance volutes, "In Pipe Turbine" (IPT) or "Pump As Turbine" (PAT). In 2014 a feasibility study for the installation of an energy recovery system (turbine or PAT) at one of the pressure reduction stations of Bologna aqueduct was launched together with the University of Bologna. The study is expected to finish with the results presented by March 2015.

The initiatives for the local community

Communication

Social and environmental communication

During 2014, the Hera Group's communication strategy focused on aspects linked to the environmental and energy, in the conviction that a development model cannot afford not to be sustainable. The communication objectives were pursued with vigour, furthering the quality of the relationship between Hera and its area. The campaigns dedicated to promoting citizens' best practices on separate waste collection also fell within this approach.

Great success for the "Get rid of bills. Give a tree to your city", launched in 2012, which provided incentive for changing over from the paper-based bill to an on-line one. Approximately two years in advance with respect to the envisaged timescales, Hera achieved the objective of 100 thousand requests for on-line bills in 2014. This project managed to combine many of the fundamental values which Hera aspires to: efficiency, innovation, affinity with the area and sustainability.

Therefore, the “**Missione Recupero**” (Recovery Mission) campaign was confirmed and re-proposed: Hera refuse collection vehicles once again circulated throughout 2014 showing illustrations and messages on the subject of separate waste collection, “**Dei rifiuti non si butta via niente**” (No waste with waste) and “**Insieme facciamo la differenza**” (Together we make a difference). This form of itinerant communication encounters people during their daily lives so as to reveal that waste collection is much more successful when it becomes an asset, a prerogative of everyone, thus creating a principle of citizenship whose bases lie in the effective commitment of those who live in the area.

Another interesting project, unique in Italy, which intends to encourage separate waste collection and at the same time further technological innovation in the recovery of materials and waste, is that of the **recovery of cooking oil**. Once collected, cooking oil is recovered and processed mainly by means of energy conversion (electricity and heat), with the overall aim of returning to the environment, under the form of energy, that which would by contrast represent a source of pollution and disposal costs. In just a few months, more than 90 tonnes of oil were collected, a monthly average which in a short space of time more than tripled, passing from 5.4 tonnes a month in the first 3 months from launch of the service (October-December 2013) to around 20 tonnes a month between January and April 2014, with a final balance of 1,000 tonnes a year, also including oil conferred by drop-off points, for a total of one million residents served.

Again within the waste sphere, for the purpose of increasing the use of the drop-off points by residents, an **ad** was planned, **developed using animation techniques**, on local broadcasters in Emilia Romagna.

Environmental communication initiatives took place throughout the area, achieved in order to provide the local communities with the necessary information on changes to or reorganisations of the collection service, tourist utilities and separate waste collection guides.

Another important communication campaign was achieved in Bologna so as to **inform on the great change in the historic centre of the city**: removal of the waste disposal skips and igloo bins for glass, extension of the door-to-door collection of non-separated waste. The most consistent measure of the plan is the creation of 100 underground drop-off points by the end of 2016 for the collection of glass/tin and organic waste. A collection infrastructure unique in kind due to extension, diffusion and technological innovation. The campaign, disclosed via the press, billboards and radio, received particular visibility thanks to the partnership with the Future Film Festival: along the streets of Bologna where information totems were placed full of multimedia contents which inform on the separate waste collection innovations on which Hera and the Municipality of Bologna - with the underground drop-off point projects - are working, and which at the same time illustrate a treasure hunt to actively involve citizens in the 2014 edition of the Future Film Festival.

The context of innovation and sustainability in conclusion also includes the “**Electric Road - prova oggi la mobilità di domani**” (Testing out today the mobility of tomorrow) project, by means of which the Hera Group wished to confirm the commitment to the search for solutions which permit electric mobility to become an effective and feasible option. Two cities, six vehicles, twelve winners. These are the main ingredients of Electric Road, the competition conceived and created by Hera to bring its customers in Modena and Imola closer to the world of sustainable mobility, cities in which the multi-utility also manages the electricity mains. First of all, Modena customers (then Imola customers in 2015) were assigned the use of a genuine electric vehicle for three months, completely free-of-charge.

Taking part in exhibitions and trade fairs

Hera sees the trade fair and convention sector as an ideal sphere for communicating the results and prospects of its initiatives in favour of sustainability to a selected public.

During 2014, the Hera Group was once again present at **“Ravenna 2014. Fare i conti con l'ambiente. Rifiuti, acqua, energia”** by means of various activities and contributions, an ecological festival conceived in Ravenna seven years ago which organises conferences, workshops, labmeetings and cultural events.

Organised by Hera Luce with the backing of the Ministry for the Environment, Land and Sea, the Emilia Romagna Regional Authorities and Unione Astrofili Italiani (UAI), the **“We light up the future of your city”** convention was held in June, care of SpazioHERA, in order to discuss the principles, ideas and regulations for energy efficiency, the planning of lighting and the cutting down of light pollution.

Further to the agreement entered into with Unindustria Bologna, in September Hera took part in **FARETE** by means of a Herambiente/HASI and Hera Comm stand, a trade fair organised by Unindustria Bologna with the aim of encouraging the matching of supply and demand and multiplying business opportunities.

Within the sphere of the XII edition of **“Accadueo”**, the international exhibition for drinking water treatment and distribution and waste water treatment technologies held in October, the Hera Group organised the **“Investimenti nel servizio idrico: la depurazione è al primo posto”** convention together with Federutility. A day of studies and discussion to sum up on the still critical aspect in Italy of waste water treatment.

In conclusion, once again in 2014, the Hera Group took part in **Ecomondo**, the prestigious Rimini trade fair on the recovery of material, energy and development: present together with Herambiente as occurs every year, in 2014 the Group seized the opportunity of Ecomondo also to present to theme-based reports dedicated to separate waste collection and the quality of tap water.

As takes place every year, the Hera Group is present at Career day via its own stand, an event which aims to bring together graduates and businesses.

Hera on the internet

Hera's commitment to ensure timely and updated information on line that is in line with the transparency expectations of the various interlocutors continues. The information style is customised according to the interests and particularities of the respective stakeholders: customers, shareholders, the area communities, students. In January 2014, the launch of the new public website took place, with a view to innovation and on-going improvement of the use of web contents. During the first year of life, the new website was continually up-dated and optimised to improve the fruition of both the corporate area and the customer area, via an integral graphic restyling and a clearer and more simple organisation of old and new content.

For the Waste Management Sector, the on-line **“Rifiutologo”** (Wasteologist) was enhanced, via which the user can select the type of waste so as to know which container to place it in or discover the nearest drop-off point. If they cannot find the information they are looking for, citizens can report this to Hera via the web; Hera will then take this report into account when updating the guide. The database of the types of waste was extended considerably, so as to provide a more far-reaching and detailed service. The web instrument also supported **“Change the outcome”** with excellent results, a project regarding the collection of bulky waste by non-profit community work organisations in the area, with a dedicated area within the waste management service, featuring 16 videos which relate the action of these organisations. In order to more fully make citizens aware of the subject of separate waste collection, an entertaining interactive video was created, **“Ricicli stellari”** (Star recycling) (which had more than 160,000 hits), along the lines of the well-known film **“Star Wars”**. The positive

nature of the work carried out on the waste management web area, was confirmed by a 36% increase in the pages viewed, when compared with last year.

Website hits

No.	2012	2013	2014
Customers section	53,802	53,983	49,913
Corporate Social Responsibility Section, sustainability and CSR initiative reporting	6,909	10,159	7,820
Suppliers section	12,556	9,559	8,536
Investor Relations Section	2,359	2,721	2,886
Other sections	64,178	73,505	86,763
Total average monthly visits	139,804	149,927	155,918
Total page views (monthly)	506,532	505,746	518,043
Total unique visits (monthly)	97,328	107,526	101,318

The most interesting aspects were enhanced by means of the creation of made-to-measure web sections, such as for example the “**In good water**” channel, dedicated to the quality of the tap water distributed by Hera and “**Tracking waste**”, in contrast relating to the quality, quantity and intended use of separate waste collection. Two on-line competitions, “**Zoom**” and “**Electric Road**”, represented a novelty in 2014. The first, a photographic context reserved for employees (which ended in December), envisaged the creation of a web channel (with more than 100,000 hits) on which everyone was able to vote for the best photos (more than 300 were downloaded between June and December). A profile on Instagram was also opened for the occasion (social network dedicated to photography), where the competition photos were downloaded and voted for. “Electric Road” was by contrast the competition for Modena and Imola customers, furthered via the *ad hoc* web channel dedicated to sustainable electric mobility (the hits came to around 11,000). The lucky winners were assigned electric vehicles made available by Hera free-of-charge for a three-month trial. The newsletter on sustainability, VedoHera, was also the subject of a total graphic restyling, with more than 18,000 hits and 13,000 visitors. The on-line version of the Annual financial statements (more than 13,000 hits and almost 2,000 visitors) and the Sustainability Report (more than 30,000 hits and 5,000 visitors) also were subject to a new graphic layout and reorganisation of the contents. The “Give a tree to your city” campaign met with great appreciation. The on-line grapevine was facilitated by the dedicated web area which had more than 37,000 hits and 12,000 visitors in 2014.

During 2015, development of the website will continue with new optimised contents for smartphones and tablets. An important project will also be the complete restyling of the Herambiente website, with innovations both at graphic and content level. Within the mobile sphere, a version of the “Rifiutologo” (Wasteologist) app will be released, which will make it possible to make environmental reports also in other municipalities of the area (besides those in which the service is already active) and will comprise the innovative bar code reading function on packaging, so as to inform the user in which separate waste collection bin the products must be placed. In conclusion, the new “Acquologo” - (Waterologist) app is being designed; this will provide citizens with geo-localised information on the water quality parameters and the sources of origin.

What is Hera’s reputation on the web?

Again in 2014, the figures on the on-line grapevine emphasised growth in the sector which, once again, demonstrates that it is continually changing. Hera’s presence on the web focuses on **blogs, forums, social networks and Youtube**, channels on which the Group listens to the needs of the users and monitors the

contents generated by the same. In 2014, a total of **6,477 posts that referred to Hera** were analysed, a figure clearly higher with respect to last year (+2,306 posts). The Group's visibility on all the types of source was up, in particular on Facebook where a decisive increase was seen.

Hera's presence on the 2.0 web once again this year saw positive opinions on average, even if down slightly with respect to 2013. There was a rise in the visibility of the Corporate category. Also the visibility of the Waste Management Services and Service quality areas was also up. The economic results, the presentation of the Sustainability Report, the signing of the protocol with the fire service for the handling of emergencies and the "Change the outcome" and "Science Well" initiatives also had a positive impact on the Corporate area. Within the waste management services area, there was the project on the collection of WEE waste and the "Rifiutologo" (Wasteologist) app. With regard to the quality of the service, the following stood out: requests for the on-line bill, the new Group portal, the extension of the call center service hours and, more in general, all the information useful for the customer divulged by Hera.

Environmental education

The Hera Group has for several years promoted numerous **environmental education** projects, in all the areas, in order to raise awareness in schools on issues related to services and to take part in the disclosure processes, making its business experience available. During the 2013-2014 academic year, considerable interest was confirmed by teaching staff with regard to the educational projects offered by Hera via the "**The Great Engine of the World**" project, confirming just how this project, and Hera itself, are a consolidated benchmark in educational spheres. In compulsory schools, the project is awaited and the requests for access are always higher than supply. In high schools, the leap in requests for participation in "**Science Well**", specifically studied for this age bracket, were considerable and great attention to the topics and methods of intervention proposed was noted both in terms of teaching staff and students. Overall, almost 60,000 students availed themselves of encounters, workshops, plant visits and competitions.

Environmental education projects

No.	2012	2013	2014
Schools involved	857	1,014	971
Participating students	51,906	65,331	64,255
Teachers involved	3,077	3,796	5,014

The quality and variety of the educational offer proposed are very positively assessed by the teachers who expressed their opinions and made their suggestions by means of an appreciation questionnaire. The "The Great Engine of the World" programme for the 2013-2014 academic year was in fact particularly abundant: **30 teaching projects** differentiated for all the school levels (infant, primary and secondary - first and second level). Via "L'itinerario invisibile", "Le avventure di Skizzo", "A tutta energia", "Riciclandia" and many other projects and with the support of extensive and in-depth educational material, youngsters were able to form an informed culture of **sustainable development**. Two new environmental workshops were introduced for the 2013/2014 project, dedicated to the subject matter of recovery and recycling of paper, in synergy with the company campaign dedicated to the promotion of the on-line bill.

With regard to the educational courses on environment, water cycle and energy, the preferences of the teachers are different depending on the study cycle: in infant schools, the most requested course is environmental-based, as it is in primary schools, while in first level secondary schools the theme of water dominates.

All the educational initiatives availed of the collaboration of environmental education Cooperatives, Centres and Foundations which work with regard to scientific culture and education.

Again within the sphere of the new school project, Hera promoted and organized the eighth edition of the “Science Well”. This event was dedicated to the dissemination of a scientific culture and environmental education in high schools. For over a month the project involved various schools in all the areas and boys and girls participated in exhibitions-workshops, scientific meetings, and presentations on energy, water and waste. Approximately **13,000 students** (compared with 12,218 in 2013) and **900 teachers were involved in 294 meetings** in 9 major cities in Emilia-Romagna. This success was evident in the quality of the project and the level of the events that included scientific research entities and institutes, scientists and researchers. The boys and girls had the chance to come closer to scientific knowledge and learn about Hera’s activities in an educational, entertaining way. The event was also scheduled for 2015, extending the collaboration with university teaching staff.

New activities introduced in 2013 were finalised within **AcegasApsAmga**, in particular the development of the teaching hubs of Brentelle in Padova and Randaccio in Duino Aurisina (Trieste) and the proposal at the Oasi Naturalistica di Dueville (Vicenza) and the waste-to-energy plants at Padova and Trieste. During the Summer, even if outside the school-based sphere, new initiatives were tried and tested addressing youngsters (1,867 youngster involved in Padova and 1,110 in Trieste). The Summer-time work made it possible to enhance the educational proposals at the start of the 2014-2015 academic year, thereby permitting teaching staff to choose between fifteen activities in the Padova area and eight in the Trieste area, to be carried out at the teaching hubs or in schools on the water or waste cycle.

Media relations

For many years the press office has worked to improve the presence in the media, handling not only the communication of the many Group initiatives, but also proposing in-depth interviews and promptly responding to citizen’s letters and to intervention in the press by various opinion leaders, administrators and politicians. The objective, besides looking after the company image as fully as possible, is also and above all else that of creating interest for ongoing relations with local newspapers and ensuring a hot line with the area and the customers which every day avail of Hera services.

For the purpose of gauging this daily work, quarterly qualitative-quantitative analysis has been activated for some time, carried out by an specialised outside company, which monitors national and local press. All the articles are weighted according to several criteria, such as the circulation of the print medium, the size of the article, the position on the page, the presence or absence of photographs and the positive, neutral or critical tone of the article. Furthermore, the analysis also contains useful details which make it possible to delve into the main issues covered by the press and the main criticalities highlighted by the various stakeholders.

Hera news items (national press review)

%	2012	2013	2014
Favourable or highly favourable articles	90.7%	96.3%	85.9%
Neutral articles	6.1%	3.4%	10.3%
Critical or extremely critical articles	3.2%	0.2%	3.8%
Total articles (No.)	535	447	438

Excluding AcegasApsAmga and Marche Multiservizi.

Hera news items (local press review)

%	2012	2013	2014
Favourable or highly favourable articles	69.9%	72.6%	67.0%
Neutral articles	19.3%	17.6%	22.1%
Critical or extremely critical articles	10.8%	9.8%	10.9%
Total articles (No.)	5,885	6,872	6,797

Excluding AcegasApsAmga and Marche Multiservizi.

During 2014, Hera's visibility was confirmed as in line with last year's trend, already on the up. Overall, more than 7,200 articles were registered and analysed, of which around 7% published in national newspapers and weekly publications. The high number of articles is a sign of the Group's by now firm involvement in the area and national dynamics, also with regard to the scenario debate on the future of utility companies and the now consolidated presence in the North East after the merger with AcegasApsAmga.

From a qualitative standpoint, the positivity of the mentions relating to Hera remained high: for 86% of the cases in national newspapers and 67% in local ones. The aspects which contributed towards determining these satisfactory results included: the strengthening of the area services, for example the launch of the underground drop-off points project in Bologna or the new street collection of cooking oil; the communications on the commitment for sustainability, from the presentation of the Sustainability Report to the "Give a tree" campaign to encourage the changeover to the on-line bill, as far as the new "Change the outcome" initiatives, for the reuse of bulky materials, and the implementation of the functions of the "Rifiutologo" (Wasteologist) app; the promotion of offers dedicated to young companies on the unrestricted energy and gas market (Hera Start Up) or in general for district heating; financial disclosure, relating in particular to the launch of the first Italian "green bond"; the launch of important projects for an increasingly greater protection of the customer such as the Water Leak Fund, the Responsibility Charter and SOStegno Hera; the turning to account of the other corporate activities of the Group (initiative in schools, research agreements such as the protocol on the water service with Smat and Iren, sponsorships of cultural events).

It is also emphasised that the trend in negative articles has stood at a very low level since 2012, around 10% of the total, a particularly significant figure considering the nature of the Group's activities. These articles concerned a number of disputes which involved the Group both at national and local level, often however not directly dependent on Hera. They included the dynamics linked to the waste management tariff increase (new Tari), the protests caused by the decree of the Sblocca Italia Government, the renewal by the area Mayors of the steering committee agreement. Other aspects with a negative impact were, in conclusion, those linked to the launch of the Leak Fund and the waste-to-energy plant in the Modena area, the reclamation of the Berti Pichat area in Bologna, the geothermal system in Ferrara and the floods in the Faenza area.

Sponsorships and donations

The relations with the local areas, the closeness to residents and respect for the environment are the leading forces behind the sponsorships that Hera Group chooses to make.

Always working hand in hand with the area its services reach, the Hera Group is also committed by means of sponsorships to providing its contribution for developing and supporting initiatives capable of turning to account culture and excellence. Underlying this is careful research guiding the selection of the best proposals, expressions of the social-cultural fabric of the areas served by the Group.

Sponsorship

(thousands of €)	2012	2013	2014
Recreational activities	42	255	398
Culture	910	1,145	978
Sport	313	1,349	1,025
Social	94	70	104
Environmental	129	155	92
Other	10	20	42
Total	1,498	2,994	2,639
<i>of which to the areas served by Hera</i>	<i>1,482</i>	<i>2,874</i>	<i>2,623</i>
<i>of which to areas not served by Hera</i>	<i>16</i>	<i>120</i>	<i>16</i>

With a view to this, the cultural proposal adopts an important role combining quality and the general public: in the era of social networks, also cinema, theatres and exhibitions become an engine of contents and appointments accessible to an increasingly wider audience of followers.

During 2014, two important exhibitions, which attracted visitors from every corner of Italy, were sponsored by the Group: “**La ragazza con l’orecchino di perla**” (Girl with a Pearl Earring) at Palazzo Fava in Bologna and the “**Liberty**” exhibition at the San Domenico Museums in Forlì, while collaboration with the RavennAntica Foundation made it possible to return the “**Il genio delle acque**” (The Genius of the Waters) mosaic for public admiration, having finally been recovered, restored and exhibited care of TAMO, after having been discovered during excavation work for the creation of an underground drop-off point. The Group also supported the VIII edition of “**Bilbolbul**”, the international comic festival which with exhibitions, workshops and events changed its timing in 2014: has changed its shape and has become a widespread festival, capable of catalysing and valorising various initiatives throughout the year so as to reveal the wealth of illustrative literature to the widest public possible.

Access to culture and support for the area are also evident thanks to the commitment of the Group by means of SalaBorsa, the Bologna library which thanks to Hera’s contribution extends its opening hours in the Winter months and remains open to and usable by the city also on Sundays.

Other important cultural events saw Hera among the main sponsors. Renewed interest for the **International Theatre Festival in Piazza** was shown, which is held each year in July in Santarcangelo di Romagna (Ravenna) and which over the years, boosted by the support of Hera, has been able to gain a leading role, at international level, among the most significant experiences of study theatre. Also thanks to Hera’s support, the Festival becomes **AnnoSolare** as well, an annual project which envisages artistic residences, theatre trips, analytical workshops and seminars which accompany its fans among the public in the 44th edition of said festival. Hera has always been the sole sponsor of **Festebà**, the theatre festival for youngsters which in 2014 reached its 8th edition. The event stages the best performances for the very young and the highlight is **EstateBambini**, a great party which ends the Summer for families in the Ferrara area.

Hera has also supported the most important dates of the Romagna artistic season by means of supporting reviews which, in the city as in the province, includes performances and artists of great value in the schedule. It is worth mentioning, by way of example, the partnership with the Ferrara Municipal Theatre (Hera supported the Prose Season and the Festival of Contemporary Dance) and with the “Rossini” Theatre in Lugo (Ravenna).

In the Modena area, the most important ventures included both the partnership with the abundant programme of Estate Modenese, an important music and show review, and one of the most well-known and qualified cultural dates in Italy, Festivalfilosofia with the “Jamie Reid. Ragged Kingdom, lo schiaffo al potere del Punk inglese” show, dedicated to the well-known British artist.

Particular attention is dedicated each year to the concert seasons by means of the identification of events of great excellence capable of interesting different kinds of public. To mention just a few, the collaboration with the **Bologna Festival** and the “I grandi interpreti” review, the Musica Insieme Foundation in Bologna and the **Ravenna Festival**, a prestigious music, dance and theatre review which in 2014 celebrated its 25th edition. For years Hera has supported a festival which is held in the Basilicas and main theatres of Ravenna, thus turning to account places of great artistic interest in the city, opening up areas not always accessible to the general public. During 2014, the event promoted a concert dedicated to M° Abbado, conducted by Riccardo Muti, among other aspects.

Renewed interest was also seen for the **Bologna Jazz Festival**, which in its 9th edition represented an authentic jazz invasion. In addition to a month of concerts with musicians who are among the leading players on the world jazz scene. These events are joined by the Porretta Soul Festival and Crossroads, with a good 50 jazz concerts in just three months in around 19 cities in the area served by Hera.

Again in the musical sphere, the Group renewed its partnership with the Ferrara Buskers Festival, an international street musicians review, and with the Verucchio Music Festival, which conducted by Maestro Ludovico Einaudi celebrated its 30th anniversary with musicians of international standing.

Cinema confirmed itself to be a strategic partnership for the Group, once again supporting in 2014 authoritative collaboration capable of furthering the inherent value by means of reviews and festivals. Therefore, support for the Bologna Cineteca was consolidated, which by means of the “**Il cinema ritrovato**” (The Cinema Rediscovered) and “**Cinema sotto le stelle**” (Under the Stars of the Cinema) reviews, permitted not only the fruition of great masterpieces, but also access free-of-charge to the projections in Piazza Maggiore during the Summer.

Interest for cinema and film is confirmed also by means of the support of reviews present in other area, such as Cesena with “**Piazze di cinema**”, Imola with “**Rassegne itineranti**” and Bologna with “**Biografilm Festival**”.

Events in the sporting area saw the confirmation in 2014 of the collaboration with GS Emilia for a great classic on the local cycling scene: the “**Coppi-Bartali**”.

In the Imola area, Hera has supported the commitments of the under 15 and under 19 teams of the Andrea Costa Imola Basket association, taking the athletes of the first team to schools in the area via the “**Basket nelle scuole**” (Basketball in schools) in project, aimed at divulging good practices with regard to conferral of waste among new generations. In conclusion, the Group was involved in the projects of two entities on the local rugby scene, sponsoring the **youth team of Rugby Bologna 1928** and the **Six Regions Tournament**, organised by the Romagna Rugby association, headed up by the Cesena Rugby team and dedicated to the under 14, under 16 and under 18 teams from certain Italian regions.

During 2014, Hera Comm, a Hera Group company, also invested in a number of large events in the areas of commercial expansion, activating important and qualified partnerships with the aim of enhancing its presence in the areas where Hera is not very well known, as well as the relationship with the customers already acquired in the same.

The events identified were all of a high quality and a somewhat wider echo and visibility with regard to the geographic boundaries in which they take place. The main ones included: “**Icastica**”, a contemporary art exhibition held in Arezzo in numerous venues (state and municipal museums, prestigious locations in the city or located outside in urban areas). The concept of the event, in its 2nd edition and sponsored and looked after by the Municipal authority in collaboration with various local partners and otherwise, concerns the creation and clarification of the links between the prestigious Arezzo artistic tradition (Cimabue, Piero della Francesca, Vasari) and contemporary art. The exhibition, staged for nearly six

months, was also the container for numerous cultural events relating to poetry, music, art, with encounters, performances and concerts throughout the Summer; **Festivaletteratura in Mantua**, the most prestigious Italian literature festival which saw more than 100,000 visitors during 5 days of encounters, workshops and events; Sferisterio Opera Festival in Macerata. One of the highlights for the opera scene in the Summer months after the season which is held in the Verona Arena. The event, which also includes a White Night, all-night opening, attracts national interest and a composite public mainly originating from the Marche region, but also from other regions and abroad. It covers a period of nearly two months (from the end of June until around mid-August). Within the sphere of the activities which Hera Comm has supported, mention is made of the project in favour of Ethiopian women via the collection of leads compiled by the visitors to the dedicated webpage.

In conclusion, Hera Comm supported the 2014 edition of the **Perugia Flower Show**, a national nursery gardening show which, besides exhibiting unique and rare plants and flowers by selected breeders, envisaged a programme targeted at adults and children, aimed at raising knowledge and awareness of the ecosystems and courses for gardening fans who are thereby encouraged to contribute towards the conservation of said ecosystems, also in an urban sphere, by means of the care of balconies or gardens. Within the sphere of the event, where Hera Comm availed of a dedicated area capable of hosting all the events, gadgets were distributed such as quality compost produced by the Group's composting plants. The events also saw the collaboration of the Agrarian Faculty of Perugia University.

Acantho, the Group's telecommunications company, also invested during 2014 in activities aimed at increasing the awareness of the brand and the services offered to the business and residential markets in the area in which it operates. Participation in the four Summer evenings in the historic heart of Imola was renewed, envisaged by the event "**Imola si colora di Mercoledì**". Acantho acquired the title of partner for the event, setting up a stand in a central position which registered a large turnout. Innovation is another reference driver for Acantho which deemed its presence at the event "**Angeli o custodi?**" within the sphere of the Private Assembly of Unindustria Bologna, organised by the Young Entrepreneurs Group, to be of great importance. An occasion for reflecting on the guidelines which each entrepreneur must take into consideration with a view to the genuine innovation of their business.

Donations

(thousands of €)	2012	2013	2014
Recreational activities	2	10	23
Culture	31	41	20
Sport	2	30	10
Social	369	94	52
Environmental	40	11	5
Other	12	153	20
Total	456	339	131
<i>of which to the areas served by Hera</i>	<i>422</i>	<i>287</i>	<i>120</i>
<i>of which to areas not served by Hera</i>	<i>34</i>	<i>52</i>	<i>11</i>

Donations represent a further opportunity for supporting the area, by means of which the Hera Group actively commits itself in favour of the weakest social categories.

With a view to this, once again in 2014, the multi-utility renewed its membership of bodies and associations involved in both the prevention of diseases (via scientific research) and assistance for the ill.

Among these, it is worth mentioning the **Associazione Angela Serra** (Modena), involved in cancer research and, with regard to assistance, the **ANT Foundation** (Associazione Nazionale per lo studio e la cura dei Tumori), which provides homecare for the terminally ill.

Renewed support was also provided for the **ASPHI Onlus Foundation**, which in Bologna furthers the integration of the disabled in schools, work and society via new technologies, along with other entities in Emilia-Romagna which continue to create effective and virtuous projects. In this connection, it is worth remembering the support - since its creation in 2010 - provided to the **Romagna Solidale Foundation** which thanks to the will of 50 business (which today are more than 70) brings together the forces of the area to improve the quality of life of weaker categories by means of the support of non-profit organisations which operate in sectors such as healthcare, disabilities, care for the elderly, training for youngsters.

The multi-utility has also directed part of its donations towards the culture sector, including the **Muse Association**, involved in the furthering of teaching activities, and the **Museo Casa Natale Enzo Ferrari in Modena**, which houses an important part of the sporting and technological heritage of “Made in Italy”. Interest for the development of the cultural and technological heritage also touched on the **Guglielmo Marconi Foundation**, a non-profit charitable trust set up in 1938 in memory of the famous inventor and whose activities address research and training.

In 2014, in compliance with its own Code of Ethics, Hera did not make contributions of any kind to any party or politician.

Associations and Hera membership

The Hera Group is present at the highest levels of the organisations which represent the system of local public services, particular Federutility and Federambiente (which since 19 December 2014 merged into a new trade association named “Utilitalia”. created with the purpose of uniting and strengthening the representation in the energy, water and waste sectors). Hera participates actively in the association’s activities and supports the institutional communication through the identification of its representative in the different roundtables opened with regulators by the Associations. During 2014, the Hera Group indicated the new Chairman of Federambiente, who in the new Utilitalia will perform the functions of deputy chairman. The Group is also a member of AIRU (the Italian association for Municipal Heating), CIG (Italian Gas Committee), FIRE (Italian Federation for the Rational use of Energy). It contributes to research activities regarding the public services sector conducted by leading institutions, both as a customer for specific research, and participating in the scientific debate proposed by them with contributions published under record (AREL - Research and Legislation Agency, AGICI Business Finance, REF Ricerche) and direct participation in top level bodies (such as the IEFE board, Institute of energy and environment politics and economics at Bocconi University). Hera is also a member of the ASPHI (promotion and integration of the disabled via the use of Information and Communication Technology) association and Impronta Etica, a business association for the promotion of social responsibility.

More dialogue and feedback with HeraLAB

HeraLAB is an innovative dialogue and involvement instrument vis-à-vis the local communities.

The acronym for Local Advisory Board, the LABs are **multi-stakeholder boards** which have the aim of interpreting the needs of the areas and proposing initiatives aimed to improving the sustainability of the services offered by Hera. The functioning of the LAB is defined within Regulations which are discussed and approved by each LAB.

Each lab is **made up of between 7 and 12 individuals**, chosen and appointed by Hera’s Board of Directors.

The choice of the members of the LAB is carried out by the company under complete discretion on the basis of the background and the knowledge which the individuals of the area have of the area in which they live. When defining the composition of the LAB, Hera aims to obtain the maximum representation of the various categories of stakeholders who operate and intervene in the reference area. The appointment as member is strictly personal and lasts three years like the LAB and is irrespective of the institutional roles possibly covered by the individuals. Participation in the Lab does not envisage any remuneration. The company calculates an attendance fee of Euro 100 for each meeting and for each participant which goes towards creating a solidarity fund which the LAB shall assign each year to sustainability ventures furthered by local non-profit or public bodies.

The LABs meet between 4 and 6 times a year and the work schedule is divided up into 4 fundamental stages. In addition to the number of meetings envisaged by the Regulations, the LAB may also request clarifications which will in any event be reckoned for the purpose of the calculation of the attendance fees.

The HerLABs work on the basis of the process defined in regulations and structured in 4 stages:

- **know:** the Lab defines the “map” of the aspects significant for the area on the basis of which to propose ideas and initiatives;
- **plan:** the participants formulate effective and consistent ideas with the contents of the map of the significant aspects;
- **develop:** in this stage, the Lab defines the Plan of the local initiatives to be proposed to Hera; after the amendment made to the Regulations in 2014, the Plan may contain a maximum of 6 initiatives;
- **create:** in this stage, Hera expresses its assessments on the projects proposed by the Lab and approves the plan of local initiatives.

As from the second year of activities, the 4 meetings of the LAB will be divided into two parts:

- in the first part, the ordinary activities of the LAB will be carried out as occurred in the first year of activities;
- the second part will be dedicated to the monitoring and reporting on the initiatives approved in the previous year proposed by LAB and approved by Hera.

In 2014, a total of 17 meetings were held for the 5 active labs of which one for looking in-depth at the aspect of district heating in Ferrara and 3 relating to the work of the sub-group on district heating in Imola-Faenza. To the 5 active Labs participate 57 stakeholder representatives.

The first two experimental experiences of HeraLAB were launched in the areas of **Ravenna and Imola-Faenza** during 2013. Thanks to the results achieved in these areas, the company decided to continue with the extension of the project to other areas as well: Rimini, Ferrara and Bologna. By June 2015, the Modena Lab will be launched.

The Ravenna and Imola-Faenza LABs had proposed Local initiative plans which included a total of 16 initiatives, 8 for each area. The main significant aspects indicated in the areas of Ravenna and Imola-Faenza were those of separate waste collection, public water and rates, attention to users at risk, understanding of the bill, renewable energy and energy efficiency.

During 2014, a number of projects contained in the Local initiatives plans of these areas were achieved, including:

- **“C’Hera una svolta”.** This involves the creation of an “emporium” of reject material from processing deriving from companies in the area so as to make it available to all levels of schools for teaching, educational, cultural and artistic purposes. It was inaugurated on 15 January in the presence of the Environmental Policy Inspectorate Office of the

Municipality of Ravenna, members of the LAB and representatives of Agenda 21;

- **“Io non rifiuto”**. This is a web portal which has the purpose of permitting the free-of-charge exchange of reusable goods. The portal has been completed and will be on-line in March 2015;
- **“SOSTegno Hera”**. This is a handbook which brings together and lists all the initiatives in favour of users at risk: the concessions envisaged by current legislation and those voluntarily adopted by the company. It was released in November 2014 to all the Hera Customer Counters and the main URPs in the Region;
- **“The bill teach”**. A flyer together with the bill to further the conferral to drop-off points. This was distributed between November 2014 and January 2015 to around 60,000 customers in the municipalities of Imola Faenza. The objective of the flyer was to encourage the use of the Drop-off Points, showing the savings which can potentially be made in a sort of price list for every material.

The **Ferrara and Rimini LABs were started up in May 2014 and January 2015**. Hera approved the Local Initiative Plans for both the LABs, made up of a total of 8 initiatives. In these two areas, the aspect of attention to users undergoing difficulties and separate waste collection are confirmed as important; in both cases, the theme of the quality of the municipal sanitation services is indicated, for Ferrara that regarding district heating and for Rimini that of investments linked to the accomplishment of the Seawater Protection Plan.

The Rimini Lab decided to allocate Euro 4,800 accrued by means of the attendance fees to the Soup Kitchen of the Frati Minori Cappuccini while the Ferrara Lab donated to the Viale K Association for the creation of a prison vegetable garden.

A number of examples of projects approved by the Ferrara and Rimini labs are presented below.

- **District heating: revealing the benefits (Ferrara)**. This is an initiative which aims to develop the environmental and economic benefits of district heating by means of the creation of dedicated workshops during which cases of “excellence” with regard to the service will also be presented. The project also envisages the formalisation of agreement with lending institutions for easy-term loans for those who hook up to district heating.
- **Olga: alongside users at risk (Ferrara)**. This is an initiative which wishes to encourage and structure communication between company and Social Services (ASP of the Municipalities so as to prevent the suspension of the services in the event of unpaid invoices. This will take place by means of the formalisation of a memorandum of understanding already existing in certain areas.
- **Summing up waste (Rimini)**. The initiative has the aim of organising 2/3 public meetings during which the company, in partnership with Universities, Local Bodies, environmental agencies and possibly trade, citizen and environmentalist associations present and discuss the results and future prospects of their activities in the field of waste management also resorting to case histories originating from other areas.
- **Getting to know the Rimini Seawater Protection Plan (Rimini)**. The initiative envisages proposing and sharing with the Municipality of Rimini, the creation of a cycle of 10 encounters in collaboration with the economic categories in the area to illustrate expected activities, timescales and benefits from the implementation of the Seawater Protection Plan.

The **Bologna LAB was started up on 9 October 2014** and the significant aspects which the LAB will express its projects on in the coming months include the recurring aspects of separate waste collection and the prevention of waste, energy savings and attention to users at risk.

The RAB at Ferrara

The first RAB which the Group participated in started up in Ferrara in 2005, in relation to the upgrading of the waste-to-energy plant managed by Hera.

Currently, it comprises four members elected by citizens of the neighbourhoods in question, the President of the District where the plant is located and two Hera representatives.

The planned model has introduced many innovative elements in the relations between Hera and the local community insofar as the presence and environmental impact of the waste to energy plant. The distinctive features that the RAB of Ferrara has created in its role are as follows:

- RAB citizens can freely access the waste-to-energy plant, in order to check on operations and view the main documents (analysis of atmospheric emissions, waste product records, etc.);
- intense data and documentation collation activities: in the seven and a half years of its activity (from May 2005 to May 2014), the RAB met approximately 150 times, much more often than the 3 annual meetings envisaged by the Articles of Association;
- organisation of public meetings, involving technicians and specialists who illustrate and discuss the issues identified. Specific attention was paid to health aspects linked to waste management and separate waste collection;
- control of compliance with commitments undertaken, such as local offsets, meaning the creation of a new roadway link, the diffusion of district heating (connected to the recovery of heat from waste-to-energy plants), and the realisation of a new wooded area in the area between the plant and the nearby inhabited area of Porotto.

Periodic checks on the data pertaining to the operation and atmospheric emissions of the waste-to-energy plant continued with periodic reporting on the waste disposed of (with indication of the type and origin of the same) and the atmospheric emissions detected (compared with the legal limits and those established by the IEA). The materials of the RAB are available on the website www.rab-fe.org.

In May 2014, the members of the RAB completed their mandate. Hera made itself available if required to work together with the mayor of the Municipality of Ferrara for the continuation of the RAB's activities.

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What is a RAB?

RABs (Residential Advisory Boards) are a way companies and the public at large can get together and exchange information and monitor environmental indicators. A RAB facilitates communication, the exchange of information and interaction between a company and the citizens residing in the urban areas surrounding the plants belonging to the company, these being areas in which environmental impacts or risk situations can easily develop, with direct repercussions on the urban environment. This mechanism was tested for the first time in 1998 in the Netherlands on the outskirts of Rotterdam, hosting a petrochemical complex managed by Shell.

In May 2014, the members of the RAB completed their mandate. Hera made itself available to work together with the mayor of the Municipality of Ferrara for the possible continuation of the RAB's activities.

Pending legal proceedings

In addition to the lawsuits involving customers, suppliers and public administration which are discussed in the relative sections of this report, at the end of 2014 there were another 170 pending disputes involving various issues concerning claims for compensation connected to the management of the services provided by HERA. At the end of 2014, there were 98 criminal proceedings pending (62 against the company and 36 taken out by the company), of which 42 initiated in 2014 (18 against and 24 taken out). The proceedings against the company mainly regard non-compliance with environmental requirements or regulations, without significant damage to the environment. In 2014, 23 criminal proceedings against the company were also closed, mostly with dismissal of the charges or not-guilty verdicts, along with 5 cases brought by the company.

With regard to the explosion caused by a gas leak from an underground third series pipe laid in the roadway, which occurred on 23 December 2006, in **San Benedetto del Querceto**, a village in the Apennines near Bologna, which resulted in a building collapse and the death of five people, on 14 February 2013 the Bologna Court issued the sentence for the four employees (three of which no longer a Group employee in 2013). During 2013, those sentenced challenged said sentence before the Bologna Appeals Court. To-date, no hearing has been fixed.

By means of petition brought before the Emilia-Romagna Regional Administrative Court against ATO-BO, Atersir and vis-à-vis Hera S.p.A. and the Ministry for the Environment, Land and the Sea, Federconsumatori Nazionale requested the cancellation, subject to suspension of the efficacy, of the resolution of the ATO-Bologna No. 16 dated 22 December 2011 which concerned the **“Integrated water service: new regulatory period 2011 - 2015** for the operator Hera S.p.A. and 2012 tariff structure” and of any other preordained, associated, alleged and/or consequential act.

The main reasons for censure concerned:

- the alleged violation of the repealing referendum effect concerning the matter of the adequacy of the remuneration of the invested capital.
- the application, by the challenged resolution, of the Regional Tariff Method which, according to the counterpart, would not be applicable given the alleged lack of legitimation of the Emilia-Romagna Regional Authority with regard to its approval.
- the arbitrary introduction, by the challenged resolution, of the item “Financial charges”, which is not event contemplated by the Regional Tariff Method.

Hera S.p.A. appeared before the court disputing the afore-mentioned reasons for censure and, by means of Order filed on 8 June 2012 the Regional Administrative Court rejected the application for interim relief presented by the plaintiff. To-date, the fixing of the pertinent hearing is pending.

With regard to waste-to-energy plants, the following litigation proceedings brought by associations, citizens and/or other bodies are reported.

With reference to the criminal proceedings pending before the **Forlì Court**, involving Herambiente in its capacity as owner of the Forlì waste-to-energy plant, after the positive conclusion in July 2011 of the appeal to the Supreme Court of Cassation furthered by the Public Prosecutor related to the attachment of the plant requested since it was deemed dangerous, the proceedings continued during 2012 against a number of Herambiente executives with regard to the alleged “technical problems” concerning the incineration plant or rather the aspects of potential pollution and suspected administrative violations. 27 civil parties had brought action in the proceedings, private citizens, environmentalist associations and public Bodies. Furthermore, summons for the civil liability of Hera S.p.A. and Herambiente S.p.A. has been served. On 22 October 2012, Hera S.p.A. and Herambiente S.p.A. were excluded from the proceedings and consequently any liability. On 6 December 2012, the Judge acquitted all those charged with the

offences respectively ascribed to the same, on the grounds that there was no case to answer. In April 2013, the afore-mentioned acquittal sentence was challenged by the Public Prosecutor before the Bologna Appeals Court. To-date, no hearing has been fixed.

By means of appeal made in 2008 by the WWF before the Emilia-Romagna Regional Administrative Court, together with other environmental associations, the administrative court was requested to uphold the request for the complete cancellation of the IEA issued by the **Ferrara Provincial Authority** to Hera S.p.A. in 2007 and then replaced by the IEA of 2008. The appeal was rejected by the Regional Administrative Court by means of Sentence No. 21/2010. Subsequently, in 2010 the WWF challenged the first level sentence before the Council of State and Hera S.p.A. duly appeared in the aforesaid appeal. The fixing of the pertinent hearing is pending.

In regard to the Rimini plant, an extraordinary appeal to the President of the Republic was pending, furthered in 2009 by the WWF Italia association against the Province of Rimini and Hera S.p.A. for the cancellation, following suspension, of the resolution of the **Regional Council of Rimini** No. 13, of 28 January 2009, pertaining to the Integrated Environmental Authorisation of the waste-to-energy plant of Coriano (Rimini), deemed defective by the counterpart who objected to the illegitimacy thereof. Hera S.p.A. submitted its own deductions in which it requests that the application for interim relief and the appeal be rejected due to the groundlessness and inadmissibility of the reasons set forth. By means of Decree of the President of the Republic, disclosed on 7 November 2014, the appeal made by the WWF Association was rejected.

Public Administration

Hera guarantees the highest levels of integrity and honesty in relationships with public administration.

Integrity in relationships with the Public Administration

Hera is committed to guaranteeing the highest levels of integrity and honesty in relationships with public administration. In this connection, the Group has adopted, and keeps updated, a model for organisation, management and control designed to identify specific risks associated with the crimes identified in Legislative Decree No. 231/2001. This model includes 24 protocols that strive to ensure transparency and a sense of ownership in internal and external relationships. For each “high risk” process, the protocols identify principles, roles, and responsibilities which should be followed in managing the activities and define the periodic information flows for control. Each protocol ensures the constant monitoring of risk activities for the Supervisory Body, including: relationship management with the Authorities, public loans, sponsorships, donations and gifts and procurement, protection of the environment and health and safety in the workplace.

The procedures adopted conform to the principles of the Code of Ethics with the aim of guiding Group management based on the values and principles defined in the Charter of Values.

Relations with Local Authorities

In April 2014, the Central Relations Department was established with the Local authorities, reporting to the Executive Chairman, in which the seven Area Managers previously belonging to the General Operations Department have been included. The new department essentially has the task of overseeing the relationship with the Mayors of the shareholder Municipalities, offering each mayor simple and always available contact so as to obtain a response in the appropriate timescales to a service question thereby being certain of dialoguing with the right people.

On important aspects of corporate management (Business Plans, governance, organisation and development), the Department organises the relationship between Senior company management and the shareholder Mayors, maintaining a channel of dialogue constantly open to support the decisions of the Municipalities and the company.

Between September 2014 and February 2015, the Area Managers held **843 meetings** with the Mayors of the areas served and received **1,482 requests** from the Municipalities in the areas served. The reports mainly concerned aspects pertaining to «Water» and «Waste Management» (36% and 31%) within which mainly requests regarding the sewage and treatment plants fell (around 60% of the reports pertained to water) and those relating to collection services (76% of the requests relating to waste management). These were followed by those linked to «Corporate» (22%), «Customers» (6%) and «Energy» (5%) aspects.

Relations with regulatory and supervisory authorities

During 2014, **24 warnings** were received, 1 more than in 2013. These warnings mainly concerned disputes raised by the supervisory bodies and refer to violations of provisions laid down by Legislative Decree No. 152/2006, the Consolidated Environmental Law, pertaining essentially to the integrated water service and the lack of observance of the regulations contained in the respective authorisation deeds. **The fulfilments required** by the supervisory bodies **were met** in relation to the receipt of these injunctions and **none was challenged** before the competent authorities.

In 2014, **140 administrative sanctions** were inflicted, primarily for environmental violations. These disputes, raised by the supervisory bodies, refer to violations of provisions laid down by Legislative Decree No. 152/2006, the Consolidated

Environmental Law, pertaining essentially to the integrated water service and in particular the running of the plants and the exceeding of the tabular limits. These violation disputes are administrative and defence briefs have been filed in relation to the same, with the principal aim of revoking the measures adopted by means of archiving the proceedings and, subordinately, the payment of the fine to the minimum extent envisaged by sector regulations. Overall, the amount of this type of fines came to around Euro 150 thousand.

With regard to the fine inflicted by AGCM vis-à-vis Hera and Herambiente for the alleged abuse of “dominant position”, the latter companies have taken steps to pay an overall amount of around Euro 1.9 million. The afore-mentioned measure was subsequently challenged before the Lazio Regional Administrative Court.

During the same year, AcegasApsAmga received 2 **warnings**, relating to violations of provisions laid down by Italian Legislative Decree No. 152/2006, the Consolidated Environmental Law, relating to a treatment plant due to the exceeding of the value envisaged by Table 3 of the same decree. The other warning refers to the prescriptions envisaged by fire prevention legislation at a Local Operating Unit. In both cases the company took all the steps requested by the Authorities, without challenging the measures. Furthermore, in 2014 1 fine was inflicted by the AEEGSI by means of resolution VIS73/11 (availability of natural gas measuring data), administrative in nature for a total of Euro 31 thousand.

[The relationship with the Area Authority for water and waste services](#)

At the end of 2011, by means of Italian Decree Law No. 201/11 the functions for the regulation and control of the water services were transferred to the Electricity, Gas and Water Service Authority (AEEGSI); in observance of the tariff regulations established at national level by the AEEGSI, the Local Authority Atersir (Agenzia Territoriale dell’ Emilia Romagna per i servizi idrici e rifiuti) retained a number of the functions already previously exercised and in particular the definition of the plan of measures relating to the pertinent area and the definition of the tariff proposal.

The tariff method resolved by the AEEGSI concerned an initial transitory two-year period (2012-2013), subsequently extended to the period 2014-2015 so as to permit regulatory continuity for at least a four-year period and at the same time defined the regulation of other aspects relating to the water cycle as well, such as the transparency of the billing documents, the publication of the water quality data and the service charters, guarantee deposits.

During 2014, by means of the launch of specific procedures, the AEEGSI also launched a process for defining - in a short space of time - the regulation of the contractual quality of the service and the definition of the tariff structuring criteria.

[The relationship with the Italian regulatory and supervisory authorities](#)

The Italian regulatory authorities that mainly affect the Group’s activities are the Italian Authority for electricity, gas and the water system and the Italian Antitrust Authority.

Relations with the former are specifically structured with regard to the obligations to consult with regulated operators, prescribed by the law that instituted it.

Downstream from the inspection on 18/19 October 2012 regarding the correct application of the matters envisaged by the Consolidated Law on Active Connections, on 8 October 2013 Hera S.p.A. received resolution No. 416/2013 for the launch of a sanction/prescriptive procedure for the failure to observe the regulation concerning the acknowledgment of the automatic compensation. In detail, it emerged that, in the presence of a selected sample of cases extracted during the inspection relating to the period 1 January 2008 - 30 April 2012 (out of a total of 3,843 requests for active connections), 44 cases of non-payment of the

automatic compensation were revealed, due to customers for delays in making the quote available or in the realisation and activation of the connection. Hera has availed itself of the possibility of presenting a proposal of commitments aimed at re-instating the rights of the injured parties which envisages: the control over 36 months of the 3,200 plus cases of connection activated in the last few years, with the related payment of the compensation, if due, the payment of extra compensation and the finalisation of the case management IT systems. By means of resolution No. 345/2014 dated 17 July 2014, the proposal of commitments presented by Hera S.p.A. was declared admissible by the Authority and was submitted for consultation for any third party observations, to then be finally approved and made binding by means of resolution No. 557/2014 dated 13 November. This resolution therefore finally closes the proceedings open vis-à-vis Hera S.p.A., pending the achievement of the commitments undertaken.

With reference to the preliminary investigation closed (VIS 39/2011) due to failure to observe the obligations to replace cast iron pipelines, the commitment relating to the complete accelerated replacement of the cast iron pipes located at the Ferrara distribution plant was concluded by the envisaged date of 31 December 2014, while the commitment relating to the inspection of the entire network classified as “hemp and lead joint” and “asbestos cement” is proceeding and will conclude with the complete replacement of the same as per the timescales envisaged by the Regulation of the Quality of the Gas Distribution service (RQDG).

By means of sentence dated 24 October 2014, the Lombardy Regional Administrative Court upheld Hera S.p.A.’s appeal in first instance, together with other sector operators, against resolution No. 436/2012, by means of which the Authority had extended the tariff provisions for the distribution of gas relating to the regulatory period 2009-2012 until 2013. In detail, the judges criticised the decision to take as reference - so as to identify the return on activities lacking risk - the average of the rates of return on BTPs (long-term treasury bonds) in a time period differing to that immediately prior to the resolution, as has always been done in the past. By means of resolution No. 591/2014/C/gas, the Authority announced the decision to appeal before the Council of State against the sentence of the Lombardy Regional Administrative Court.

With regard to the obligations to replace traditional gas meters with remotely-read electronic meters, in relation to which Hera S.p.A. had appealed the resolution No. 28/2012 *et seq.*, the Authority subsequently intervened, with resolution No. 631/2013, reforming the regulation in the direction of greater graduality. As a result of these changes, Hera S.p.A. did not consider it necessary to repeat the appeal against the new resolution.

With regard to the procedure regarding unrequested electricity or gas contracts and publication of a list of the so-called “unrequested sellers”, launched further to the publication of resolutions 153/2012/R/com and 244/2013/R/com vis-à-vis Hera Comm, said procedure is still underway. The AEEGSI announced the publication of a cognitive document which had still not been published as of the date of publication of these financial statements.

During 2014, Hera was not subject to any inspections by the AEEGSI and the same did not inflict fines on Hera.

[Separation between the regulated activities and the deregulated activities in electricity and gas services](#)

By means of resolution No. 11/2007, the AEEG (now AEEGSI) introduced functional unbundling in the energy sector (approving the Consolidated Unbundling Law), with the aim of separating the management of the regulated activities from the deregulated activities. Said provisions establish rules - for the vertically integrated companies which operate in the electricity and natural gas sectors - to ensure:

- the neutrality of the management of the infrastructures under concession;

- the non-discriminatory management of the commercially sensitive information, relevant for the correct development of competition;
- the absence of subsidies crossing over between activities, in particular between those subject to tariff regulation and those carried out on the basis of the free market.

In compliance with the matters laid down by legislation, Hera S.p.A. established the Independent Operator for the natural gas and electricity distribution activities. This party is tasked with the effective implementation of the functional separation of the activities, to be achieved by means of the arrangement of a Programme of Fulfilments, containing the measures for pursuing the legislative ends. In accordance with the matters envisaged by the Programme of Fulfilments adopted, during 2014 steps were taken:

- to complete the Training/disclosure programme on the subject of unbundling vis-à-vis the staff involved;
- to continue the implementation of the “Unbundling project within the sphere of the informative systems” for the adaptation of the management processes and separation of the databases containing commercially sensitive information, whose completion is envisaged for 2016;
- to up-date the procedure for the handling of the accesses to the commercially sensitive information, strengthening the aims, aimed at the utmost transparency in dealings between the distributor and the sellers;
- to define the formalities for handling intercompany contracts subject to the unbundling rules and to launch the drafting of the procedure for adoption of said formalities.

Disputes

A number of litigation proceedings are reported vis-à-vis the Public Administration Authorities.

By means of the appeal presented in 2011 before the Regional Administrative Court of Emilia-Romagna, Herambiente S.p.A. challenged the decision of the **Ferrara Provincial Council** No. 251 dated 20 September 2011 concerning the “Decision regarding the screening procedure for the production of energy from biomass combustion at the waste incinerator” located in Ferrara. Herambiente presented the Ferrara Provincial Authority with an application for activation of the screening procedure as per Regional Law No. 9/1999. Despite the fact that the environmental compatibility study presented by Herambiente demonstrates that the request to replace the ancillary fuel used by the plant (methane gas) with a renewable energy source (cellulose wood biomass) does not have negative effects on the environment (so the conditions for the IEA procedures would not apply), the Ferrara Provincial Authority, under resolution No. 251 dated 20 September 2011, established the project be subject to IEA. The fixing of the pertinent hearing is pending.

By means of appeal to the Emilia-Romagna Regional Administrative Court, served in 2014, Herambiente S.p.A. challenged the provision of the **Rimini Provincial Authority** No. 1168 dated 4 December 2013 limited to the prescriptions which define the territorial origin of the undifferentiated urban waste which can be conferred to the incinerator located in Coriano. According to this provision, which Herambiente deems illegitimate with regard to various aspects, only waste originating exclusively from the area of the Rimini Province could be treated at the plant. The fixing of the pertinent hearing is pending.

By means of appeal made in 2014 by Herambiente before the Emilia Romagna Regional Administrative Court against the **Emilia-Romagna Regional Authority** and vis-à-vis **Atersir**, the cancellation of the resolution of the Regional Council of the Emilia-Romagna Regional authority No. 380 dated 24 March 2014, was requested, containing “Amendments to the DGR 135/13 - Provisions concerning the definition, and handling of the increase limit, of the fee for the disposal of municipal waste”.

Resolution No. 380/2014 was challenged with regard to the part where it has the effect of laying down the full deduction, from the waste disposal fee, of the revenues from incentives to produce electricity from renewable sources. The fixing of the pertinent hearing is pending.

By means of appeal furthered in 2012 before the Emilia-Romagna Regional Administrative Court against **Intercent-ER** and the Emilia-Romagna Region, Hera S.p.A. challenged the call and related enclosures, containing the “Procedure opened for the awarding of the ordinary management services, assessment and support for the ordinary and forced direct collection of municipal taxes and dues”. Hera S.p.A. believes that the related tender documents are illegitimate, and therefore merit cancellation, since they lack any clause concerning the taking over, by those awarded the tender lots, of the dealings with the staff of the outgoing operators in charge of the activities for assessing and collecting the withdrawals which will be replaced by the TARES in the Municipalities which comply with the agreements drawn up by Intercent-ER with said adjudicated parties. In greater detail, with regard to the position of the plaintiff Hera S.p.A., there is no provision relating to the taking over of the adjudicated parties in the dealings with the staff currently used by said Hera S.p.A. for the assessment and collection activities of the TIA (1 or 2) for the Municipalities under the TIA regime (1 or 2) where Hera S.p.A. operates as operator of the refuse service and, as such, operator as per the law of the TIA assessment and collection activities as well. In light of the changed legislative framework which introduced the TARI, the interest in going ahead with the proceedings ceased and therefore they will be declared as quashed by the Regional Administrative Court.

Energy efficiency

Hera passes the energy efficiency exam

In 2014 Hera S.p.A. was granted ISO 50001 certification, emphasising the company's strong commitment to energy saving and efficiency.

All of the company structures were involved in the Energy Management System implemented and each business unit contributes to monitoring the most significant energy centres and developing initiatives to improve energy performances.

The overall goal established by the Company Management is a 3% reduction in annual energy costs by 2017. To this end an Action Plan was developed which contains 54 energy efficiency measures that will be implemented in the first 3 years of the System's lifetime. The measures planned until now are expected to produce cumulated savings of approx. 3,400 toe/year for Hera S.p.A.

As required by the reference regulations, a "Register of Opportunities" was also created that lists the potential energy improvement opportunities identified by the various corporate structures.

Public renovation project in Modena

In December 2014 the Municipality of Modena and Hera signed a new contract for the management of public lighting for the 2015-2023 period. Generating financial savings on the basis of the same number of hours of public lighting supplied, improving environmental performances by reducing emissions and the quantity of services to citizens, using the most up-to-date lighting technologies on the Modena network: these are the main goals of the lighting plan. The action plan for Modena in 2015 involves around 1,400 light points, including a number of areas of historic and artistic relevance for the forthcoming Expo: Parco Ducale at Palazzina Vigarani, streets near Piazza Dante (railway station), the Enzo Ferrari museum, Piazza Roma, Parco delle Mura, and the Sacca neighbourhood. The investment forecasted for the first lot comes to 630,000 euro and will generate annual energy savings, in the area in question, of 405,000 kWh (40% of the current consumption level).

Production and distribution of water

Hera, Iren, and Smat together to improve the Integrated Water Service

On 8 April 2014 Hera, Iren and Smat signed a 5-year applied research partnership agreement to develop shared research, innovation and training projects in the sectors and activities connected with the Integrated Water Service.

The framework agreement for the regulation of the research activities developed as part of the partnership outlines the first 9 projects to develop, which pertain to 3 thematic areas:

- water purification and treatment processes;
- analysis by specialist laboratories, online measurement systems, innovative sensors;
- development of remote control systems, expert systems and modelling.

Three projects were defined for each area, each of which coordinated by one of the three companies but jointly developed by all.

The common denominator to each of the projects is the industrial development of techniques and systems to optimise the efficiency of networks and plants, reducing their management costs, and to improve the treatments and systems for monitoring the distributed water. The attention will be focused on fine-tuning

online control and water monitoring techniques. Another interesting aspect is the study and processing of the data that arrives at the network and plant remote control centres, which will make it possible to improve the predictive analyses on eventual anomalies and scheduled maintenance programmes. To carry out the 9 projects an investment of over Euro 1.2 million is forecast with over 20 researchers employed in the next 2 years.

New reservoir in Covignano, Rimini opened

The ribbon was cut at the renovated 8,000 m³ water reservoir in Rimini, a major aqueduct infrastructure that plays an important and reliable role in the Rimini drinking water system, allowing for the more streamlined use of this resource.

The plant underwent major maintenance work and two important lifting systems were installed in order to cope with potential water emergencies. A modern remote control system was also introduced for the real time monitoring of residual chlorine and the main hydraulic parameters able to guarantee the quality and continuity of the water supply in both the winter and the summer.

Thanks to the Hera work completed in June 2014, citizens and tourists are able to benefit from a more efficient plant and for a holiday town like Rimini this aspect is even more important during the summer when around 80,000 m³ of drinking water is consumed every day, as opposed to an average winter demand of around 36,000 m³. Water demand and potential is reconciled by the balancing tanks which store the water that the city doesn't consume at night and return it to the distribution network at moments of peak demand.

The Rimini Seawater Protection Plan

The Optimised Seawater Protection Plan aims to reduce the number of swimming bans in public waters by 100% and the pollution impact measured in COD by 90% in 2020, through 10 works worth an overall investment of over Euro 154 million.

Compared with the plan authorised in 2013, additional analyses have made it possible to identify technical synergies and solutions that have led to the further optimisation of the measures modifying, in part, those previously identified and, above all, reorganising them into functional parts in order to ensure the efficacy of the various measures in the quickest possible time.

Work at one site has concluded (Isola sewage decontamination) while 5 worksites are currently open:

- the doubling in size of the Santa Giustina treatment plant (to be concluded in 2015);
- development of the Bellaria-Santa Giustina pipeline (Dorsale Nord to be concluded in 2015);
- reconversion of the Rimini Marecchiese plant into a collection tank (to be concluded in 2016);
- development of the first portion of the Dorsale Sud (to be concluded in 2015);
- separation of the sewage systems in the North zone - 1st portion (to be concluded in 2016);

The conclusion of the “ISOLA” sewage decontamination work and the partial separation of the Rimini Nord networks, still ongoing, have made it possible to enjoy the first environmental benefits, reducing the amounts of COD/BOD disposed of at sea.

Environmental benefits in terms of the increased purification efficiency of the Rimini sewage system, associated with the conclusion of the work to double the Santa Giustina treatment plant and the end of work on the Dorsale Nord, are expected to be seen in 2015. The conclusion of the first phase of work on the Dorsale Sud and the reconversion of the Marecchiese treatment plant, expected to conclude in 2016, may reduce drainage into the sea in the event of episodes of heavy rain. The ongoing work relative to the first phase of the separation of the sewage networks in the North of Rimini will lead to the closure of 3 of the 11 pipes that discharge sewage into the sea in Rimini by the 2016 summer season.

The separation of the sewage systems in North Rimini will mean that citizens will have to connect to the new sewage system. The authorities have drafted an ad hoc protocol that lists the rights and obligations of citizens, specifying that they cannot, in any case, opt out of the works. Citizens can decide whether to carry out the work themselves or with Hera which, on the request of the municipal authorities, has applied a discount to the connection fee based on the complexity and cost of the works.

Adjustment work at the Servola treatment plant in Trieste

The definitive project to bring the Servola plant into line with the requisites of Leg. Decree 152/06 was structured into three functional parts in order to speed up the process of ensuring the compliance of the treatment provided for the current customer base (180,000 inhabitant equivalents) thus avoiding the application of sanctions on Italy by the EU. The first part of the work, worth Euro 1.6 million, was completed in December 2014 and involved the fine section of the screening at the entrance to the current plant. The performance levels of the new section were tested from August and showed, both through the self-analysis carried out by the company and the cross-analysis by ARPA, a clear improvement in treatment

quality. The second part, worth Euro 7.2 million, involves the reclamation of the area in which the new (biological) treatment section will be constructed, part of the contaminated areas of the Site of National Interest of Trieste. It has been structured into four independent measures, each of which already contracted out and underway. For the third part, worth Euro 43.7 million, an integrated contract was used for the executive design and development of the biological treatment section. The tender process is ongoing. The work is expected to conclude in 2018.

New sewage system and restoration of all connections at Morciano di Romagna

The network modernisation process involved a stretch of around 350 metres of one of the most important sewage collectors in the city, serving a large part of the historic centre. The structural work comprised the replacement of the obsolete stretch of network and, at the same time, the restoration of all sewage system connections present. A necessary, broad and delicate operation given that this stretch of network is located in one of the busiest areas of the city. For this reason Hera operated with worksites that developed gradually, on short stretches. This method made it possible to minimise traffic disruption, avoiding the closure of the entire stretch of road affected. Disruption minimised also for the people: in fact, citizens were guaranteed an interrupted service, even during the complex operations.

Improvements to S9 wastewater lifting plant in Cesenatico

The S9, the main lifting plant in Cesenatico that collects the rainwater and wastewater of the entire municipality downstream of the railway and conveys it directly to the top of the treatment plant, has been operational since June 2014 having undergone major improvement works that lasted around 20 months. The improvement works on the S9, which began in October 2012, were entrusted to a consortium of businesses from Cesenatico and cost over Euro 1.5 million, a third of which was financed by the Region.

A new purification system for Santa Maria dell'Arzilla in Pesaro

Since December 2014, thanks to an investment of over Euro 2.6 million by Marche Multiservizi, the Santa Maria della Arzilla area, located to the south-east of the Municipality of Pesaro, can take advantage of a new and efficient purification system for the entire reference area that improves the services offered to customers and, above all, the environmental quality of the area, the Arzilla torrent in particular.

Work began in September 2012 with the development of a blackwater sewage system over 2.5 km in length which, thanks to two lifting plants, is able to convey wastewater to the new activated sludge purification plant, which has a potential of 1,000 inhabitant equivalents, 700 of whom already connected. It can potentially be developed for adjacent areas to the tune of 300 inhabitant equivalents. The plant will make it possible to reduce all pollutants, and BOD in particular, by over ten times, with notable benefits for the Arzilla torrent water and environmental system.

Renewable energy

Research into the energy of the future at HEnergia in Forlì: first results

This is an experimental centre for applied research into technologies for the production and use of energy from renewable and alternative sources. The centre was opened in September 2013. In 2014 the focus was measuring actual

performances and their evolution over time: the initial configuration of the centre, with a photovoltaic section and a “chain” dedicated to the production, storage and use of hydrogen, was completed in 2013 with the launch of experimental activities with the support of the University of Bologna. In the first half of 2014 the data acquisition system underwent specific adjustment and the research plan was finalised. In the second half, the first intermediate reports were drafted on the research activities as regards the technologies: photovoltaic, solar cooling and hydrogen. According to the first results, the overall evaluation of technologies connected with concentrated photovoltaic is not positive; when analysed against the climatic conditions in the areas managed by Hera, they are not productive enough to justify greater investment in terms of installation and subsequent maintenance. As regards traditional photovoltaic, there was an analysis of the relationships between technologies and productivity, and technologies and deterioration of performance over time and in relation to periodic cleaning, to produce a list of the best traditional technologies. Although the related setup costs are not yet low enough, the studies on solar cooling through concentrated solar power seem to indicate that it is time to examine this method more closely also because of the incentives related to the “Renewable Energy for Heating & Cooling Support Scheme” still in force. Finally, the first results relating to hydrogen are not very encouraging at the moment (fuel cell technologies not yet fully mature). Following the conclusive reports of the first year of experimentation, a decision will be taken as to which activities to continue with and which ones to interrupt or delocalise to enable new initiatives to be launched.

First solar community in Casalecchio di Reno

To meet the goals defined in the National Energy Plan, a solar platform made up of over fifteen photovoltaic roofs installed on the same number of public buildings was set up in Casalecchio for a total capacity of 655 kW. Of this capacity, 230 kW is destined for the Local Solar Community which will therefore be able to “manage” a quantity of solar energy to produce energy bill savings.

The Group participates in the Casalecchio project through Hera Comm, which became a partner for the sale of renewable energy produced by the installed panels with benefits for citizens that are members of the cooperative, who will be able to take advantage of targeted offers.

Mario Ornelli study grant doubled: Hera presents two renewable energy awards

Two young engineers - Matteo Zaccarelli of Meldola and Alice Dalmonte of Lugo - were joint winners of the € 5000 Hera study grant named after Mario Ornelli, promoter of projects for the development of renewable energies who died prematurely in February 2005.

The study grant competition was open to under-30s and involved the presentation of a research proposal in the areas of the production and use of renewable energy sources.

Atmospheric emissions

Electric road: testing out the mobility of tomorrow free of charge

The general public’s interest in the Group’s electric mobility services grew in 2014 leading to 15 new contracts for the charging of electric vehicles. And with the aim of increasing the public’s interest in and understanding of electric mobility, in the final quarter of the year the Electric Road initiative was launched. Run by Hera Comm, this competition offered 3 months’ use of 6 electric cars in Modena and

Imola, and welcomed over 1,000 entries. The cars were presented to the first 6 winners in Modena in mid-November and the initial feedback was very positive.

In the first 3-month trial phase in Modena, around 19,000 km were travelled for a total electricity consumption of 4,727 kWh. This consumption led to savings of around 1,900 euro and a 4.5 metric ton reduction in CO₂ emissions. The Hera network of recharge stations comprises 21 charging stations: 11 in Modena and 10 in Imola.

Increasing usage of telepresence

The telepresence service continues to develop within the Group with Hera Comm, Heratrading and Herambiente also consolidating their usage of this technology to ensure even geographical coverage with 6 new rooms. More specifically, for AcegasApsAmga a process was launched to integrate the current telepresence rooms within the centralised Group platform: this integration will continue in 2015 with new rooms and the renovation of existing rooms for a total of eight rooms in all. Telepresence has made it possible to optimise the management of meetings, with savings in transfer times, and has been a key tool for quickly integrating personnel located at various different sites.

Mobility management

2014 saw the continuation of actions to reduce the environmental impact of Group employee commutes. These included the continuation of the shuttle bus service in Bologna that connects Stazione Centrale (Central Station) with the sites in Viale Berti Pichat, Via Trattati Comunitari and Via del Frullo. The shuttle bus service was also introduced in the Municipality of Imola and connects the station with the main sites in the area.

The incentives designed to encourage those who work at the Bologna sites and the Via Casalegno site in Imola to cycle to work also continued in 2014. This year 24 employees (twice as many as in 2013) took advantage of the incentive (for the purchase of bicycles and accessories, or for maintenance). Thanks to the project forming part of the “Plan to improve Mobility Management actions” presented in the Municipality of Bologna, at the Viale Berti Pichat site a parking area with a photovoltaic shelter equipped with recharging systems and three pedal assisted bicycles was made available to employees.

In 2014, 166 staff members took advantage of special discounts on annual public transport passes of 50% for services managed by T-per and 45% for those run by Trenitalia.

Studies on the environmental impact of waste-to-energy plants and comparison with other types of emissions

Since the 1980s activities related to the incineration of waste have been the subject of innumerable studies and monitoring, as well as important technological improvements also related to the introduction of increasingly stringent plant and management criteria by European and Italian legislation.

As a result of the evolution of the legislation, there has been a 99.8% reduction in waste incineration emissions if we consider the total annual atmospheric emissions of dioxins as the sum of all waste incineration plants in Italy between 1990 and 2011 (Source: Sinanet-Ispra-SNAP databanks).

Placing this analysis in the context of the various production segments, since 2001 waste incineration has been the least representative source in terms of emissions of dioxins and furans, contrary to the iron industry, the steel industry and the entire residential segment (e.g. domestic heating).

The trend in terms of total annual PM10 emissions shows a significant reduction of around 55% in waste incineration emissions (between 1990 and 2011), also due to the evolution of legislation. The PM10 emissions by Italy's incineration plants are around three magnitudes lower than those of the residential segment. The main sources of PM10 at national level are the residential segment, vehicular traffic, combustion processes with contact (e.g. foundries) and animal rearing.

Transparency of waste-to-energy plant emissions

Since 2008 it has been possible to consult the average values of the emissions from the Group's waste-to-energy plants from the previous day and the "half-hourly averages" (every half hour the online data is updated with the average value recorded over the past 30 minutes) on the Group website. The data are automatically sent from the detection systems, operational on a 24/7 basis in all plants (the Group's waste-to-energy plants are located in the provinces of Bologna, Ferrara, Forlì-Cesena, Modena, Ravenna, Rimini and Isernia).

As a further guarantee of transparency, Hera commits to:

- daily or weekly reporting of the half-hour and daily averages to the control agency (Arpa);
- yearly reporting on the plant's operations, by 30 April every year, to the competent authorities (Provinces) and control agency (Arpa);
- if the plant is EMAS registered, the control results are published upon formalisation of the "Environmental Declaration";
- publishing annual data in comparison with legally established limits and Integrated Environmental Authorisation limits in the Group's Sustainability Report.

The figures of the Padova and Trieste plants are also published on the website of the AcegasApsAmga Group, according to the Group methods (half-hourly average updated in real time).

Separate waste collection

Tracking waste: 93.8% of separately collected waste is recovered

In 2014 Hera published the fifth "Tracking Waste" report, a completely new and enriched version compared with the past editions that highlights Hera's close focus on the themes of innovation and continuous improvement as regards reporting on the destination of separately collected waste. In this edition 55 businesses that managed 67 first destination waste plants in 2013 were identified and, by involving all of the stakeholders in the recovery process, the percentage of waste transformed into "second raw materials" was determined and the production plants that give new life to the materials that stem from separate waste collection identified.

The initiative regarded the main materials collected separately: green waste, paper, organic waste, glass, plastic, wood, iron and metals (aluminium, steel and tinplate packaging).

In 2013, 93.8% was recovered, also including, for the first time, the waste of AcegasApsAmga. More specifically we recovered 96.6% of green waste, 93.8% of paper, 91.5% of organic waste, 94.1% of glass, 87% of plastic, 97.3% of wood, 100% of iron and 94% of metal.

The report was verified by DNV GL. Presented at the important Ecomondo 2014 event, the report emphasises how recovery is one of the key processes in the "green economy". Hera's separately collected waste fuels 191 recovery plants managed by companies with over 3,000 employees.

Separate waste collection in Bologna city centre

In 2014 Hera implemented the separate waste collection development project throughout the city. It began with the development of the first lot relating to the San Vitale district, which was launched on 3 November, and will continue with the creation of 140 underground collection points in 3 years. This will be followed by the revamping of the other 9 existing drop-off points in the city centre to bring them into line with the new requirements. This initiative will be supplemented with the launch of door-to-door non-separate waste collection organised according to neighbourhood and by other additional actions, such as the positioning of special waste bins for nappies, the improvement of bins with a project for a special big bin in the city centre, and a major customised waste collection project dedicated to all businesses in the city centre for the collection of crates (wood and plastic), cardboard boxes and plastic.

It is estimated that the new project, together with the other initiatives in the rest of the municipality, will see separate waste collection reach the 50% mark in 2016.

The schedule of activities was largely respected in 2014 with just a few delays mainly due to the difficulty in creating the underground drop-off points, above all because of the demanding prescriptions imposed by the Councillor for Architecture, the continuous stratigraphic surveys and the relevant restrictions related to underground utilities, as well as the interference with the Crealis worksite.

At the end of 2014, 37 underground drop-off points had been completed and 43 were under construction. The latter are expected to be ready by June 2015.

In quantitative terms, the first results of the separate waste collection are positive as regards both the entire city (from 38.9% in 2013 to 40.8% in 2014) and the district where the project was launched, where the increase is significant (around +20%). Even more encouraging are the results in terms of the quality of organic and glass fractions, which were above 92% in every control.

The Wasteologist is smarter than ever: the new functions

The free App launched as an experiment in 2011 to promote separate waste collection has developed and the data collected over the 3 years show that Hera has succeeded in its mission and that the public likes it. There were over 54,000 downloads, with over 5,700 suggestions for new sections to include and almost 5,000 reports for waste management services. At the start of 2015 the possibility of submitting georeferenced environmental reports was extended to all municipalities served by Hera with over 30,000 inhabitants (30 in total). Using the “environmental reports” function it is possible to easily send Hera a message or photo to highlight a problem relating to its services. Through the geolocalisation of smartphones, the Rifiutologo (Wasteologist) is able to automatically identify the user’s location and makes it possible to send a personalised message to Hera technicians in real time. At national level, one new feature is the “barcode scanner” function. The Rifiutologo (Wasteologist) is the first app able to recognise products through their barcodes. All you need do is scan the product code using the camera on your smartphone or tablet.

In the area served by Hera, the App indicates which disposal method to use and, in the case of products made of multiple materials, how to separate each material. The service currently has an archive of around 400,000 barcodes of the most commonly available products but if a code isn’t recognised, or if a type of waste is missing, citizens can report this via the Rifiutologo (Wasteologist) so that the missing information is added to the system.

Optical readers to recover more

The project for the optical reading of waste continues to spread throughout Akron plants. Following in the footsteps of the Akron waste selection plants in Voltana di Lugo (Ravenna) and Coriano (Rimini), the new Akron dry waste selection plants in Modena, opened in July, Ferrara (October) and Bologna (February 2014) are also equipped with this new technology. The optical reader uses visible light and infra-red sensors to identify the various types of materials, which are then separated thanks to a jet of compressed air.

The optical reading of incoming plastic makes the sorting process quicker and more accurate (up to 3 times), guaranteeing higher percentages of recovered materials. The main advantages of the new system are the optimisation of the general public's commitment to separate waste collection and the possibility of releasing better quality recycled waste onto the market. In 2014 Akron's plants managed and treated over 58,000 metric tons of plastic (+4,000 metric tons compared with 2013). Following the gradual installation of optical readers, the amount of high quality plastic (1st Corepla band) sent for recovery went from 19% (in 2011) to 27% (2014), with a slight reduction compared with 2013 due to the lower quality of the incoming material.

In 2014 Akron also treated around 80,000 metric tons of joint urban cardboard-paper waste at its plants. On the basis of the agreement with the Comieco Consortium, which requests the separation of packaging, this waste is sorted on the optical lines with excellent results in terms of performance and quality, with the goal of obtaining de-inked pulp that is more valuable on the market.

The separated waste revolution hits Trieste

2014 can be christened year zero of the separate waste collection revolution in Trieste. Thanks to the introduction of the collection of wet organic waste, there has been a greater level of environmental awareness in the provincial capital of Giulia since June. The new collection, with almost 1,800 metric tons of organic waste, also had a positive impact on the growth of other types of separated waste. In six months, separate waste collection in the Municipality of Trieste grew from less than 30% in 2013 to over 36% in the final quarter of 2014. Important results made possible thanks to the renewed enthusiasm of the Trieste people for this good practice, as shown by the unexpected success of the promotional distribution of buckets for collecting organic waste by AcegasApsAmga at the traditional Christmas market: in this 2-week period, 20,000 buckets were snapped up, far more than the original forecast of a few thousand units.

The excellent results achieved in 2014 are an encouraging springboard for the start of a positive growth trend as regards separate waste collection, with the goal of bringing Trieste into line with national and European standards.

Separate waste collection comes to the University of Ferrara

The University of Ferrara chooses sustainability. To support the project, since May 2014 there has been an agreement in place between Hera, the University and the Municipality of Ferrara to extend separate waste collection to all university sites. Alongside the bins for unseparated waste, the collection points for various different materials (plastic, paper, glass and tins) will multiply, and there will be single points for batteries and toner cartridges; special signage will also be adopted for the easy identification of the bins. The common goal of the three entities is the introduction of a new high-quality separate waste collection system. To guarantee this requisite it will be essential to monitor the correct implementation of the service and the use of the bins by studying the collected materials. The collected data will be summarised in an annual report.

[“A green” design for waste in Ferrara](#)

Ferrara’s “green” creatives have been working to transform the city’s waste into valuable industrial products. The LOWaste for action competition saw young creatives invited to develop a market of recycled products in order to promote a sustainable form of local economy. The competition forms part of the European LOWaste project which, launched in 2010, seeks to create a local market, developing the conditions for the collection and usage of materials that can be recycled and put back on the market. Thanks to a regulatory analysis on the waste cycle carried out by Hera, project partner, the three waste chains on which to carry out a co-design process were selected: hospital textiles, inert materials and urban furniture/toys. A final publication will collate the results of the project and will act as a catalogue for promoting the prototypes and work groups developed during LOWaste for action.

[A new version of the “Decoro Urbano” bin model for historic town centres](#)

Newly-designed mini drop-off points have been introduced in Modena and Ferrara which, in a Corten steel colour as per the agreement with the Councillor for Architecture and Landscape, fit seamlessly into the urban context. This characteristic rusty colour gives the bins a ‘lived’ look that is highly suited to the urban context of the medieval historic town centres in which they will be located. Essentially, the bins for the collection of glass and organic waste will be placed behind these covers. The classic “Decoro Urbano” line panel with the stylised image of the type of waste to be disposed of will be attached to the front of the bins. They will be made available to businesses in strategic positions in order to preserve the aesthetic appearance of urban centres.

[Visit the New York Metropolitan thanks to Imola drop-off point](#)

From 21 October 2014 to 12 May 2015, the operas of the New York Metropolitan will be screened at Cinema Cappuccini in Imola and by taking waste to the drop-off point you can get discounted tickets. The season comprises 10 operas, 7 of which broadcast live: 6 performed at the Metropolitan Theatre of New York and the first night of the La Scala theatre in Milan. The other 3 operas are recorded and produced by Rada Film. All those that dispose of car and motorbike batteries and waste from electronic and electrical devices no longer in use at the Hera Drop-Off Point in Imola during the same period will be given a voucher that enables them to visit the festival at a discounted price.

[Modena: separate waste collection in the old city centre](#)

The reorganisation of separate waste collection continues in the Municipality of Modena with the goal of reaching 70% by 2020. The focus now is the city centre where the collection systems have been revamped also with the use of bins specially created for precious urban contexts such as the UNESCO site of Piazza Grande. Separate waste collection increased from 58.8% in 2013 to 59.3% in 2014. New door-to-door methods, launched on a trial basis in Via Carteria, will be consolidated and extended to the entire city centre in 2015.

[The smart area of Terre dei Castelli](#)

Unione Terre dei Castelli is becoming smart. Through the application of an integrated system, which involves the addition of drop-off points to the network, the introduction of door-to-door in rural areas and, for non-domestic users, the improvement of roadside collection, waste management services are getting a

facelift. It is an important reorganisation process that prioritises the sensibilities of citizens of all ages, who are called to show respect for their communities.

“Identis Weee” intelligent bins in Rimini

Already a key player in the European Union project Identis Weee (Identification DEterminationN Traceability Integrated System for Weee), together with partners such as the Ecolight Consortium (Italy) and Fundación Ecolum (Spain), Hera has increased the collection of electronic waste, extending the network of dedicated bins. New RAEE Shop bins, specifically designed for the major retail trade, were introduced in the best-known stores in Rimini and Riccione from October 2014. The aim is to intercept as much electronic waste as possible, enabling its complete traceability.

Local DIY drop-off points come to Rimini

Local self-service drop-off points have also been introduced in Rimini. This initiative provides citizens with a new outlet for disposing of lots of types of waste in a quick and convenient way. These high-tech mobile points can be activated using a health card and are powered by 8 solar panels on the roof that produce enough energy for 72 hours. The aim is to increase separate waste collection. The Ecoself is available to citizens of Rimini for 3 consecutive days a month in 8 locations in the city, according to a detailed schedule.

More hazardous urban waste at Drop-Off Points from February

The number of different types of domestic hazardous waste that can be disposed of has increased since February 2014 for the more virtuous management of their life cycles. A new service that Hera has made available to the local population and which will enable it to collect and correctly recover a wider range of Hazardous Urban Waste. More specifically, it will also be possible to take paint and ink to all 14 Drop-Off Points in Rimini, as long as they are of domestic origin. Many Points also accept oil filters, detergents and pesticides, and the Rimini and Riccione Drop-Off Points are also equipped to receive solvents, acids and alkalis. Hera, who collects the waste, then passes on batteries to specialist groups who deal with the recycling and the virtuous management of the life cycle of this waste.

From frying to fuels: Hera’s commitment to recovering oil

The new service for the roadside collection of vegetable oils, carried out using new aesthetically pleasing bins specially designed to contain residual domestic cooking oil, was launched on a trial basis at the start of 2014. This new initiative forms part of a broader Hera project, and the only one of its kind in Italy in terms of the service provided and its geographical extension, aimed at the spread of this type of collection which until 2013 was only carried out via the Group’s 140 drop-off points.

At the end of 2014 there were around 260 roadside bins in 30 municipalities in the area served by the multiutility company, serving an overall customer base of approx. 400,000 citizens. The use of these bins made it possible to collect 235 metric tons of cooking oil in 2014, which can be added to the 418 metric tons collected at the drop-off points. As such, all in all Hera recovered around 650 metric tons of oil in 2014.

The aim is to collect at least 1,000 metric tons a year of cooking oil by the end of 2015 as compared with the 650 metric tons collected in 2014. With this quantity of oil it will be possible to produce enough electricity to sustain the consumption of around 4,000 citizens or biodiesel to use as a fuel in heating systems or as motor fuel, mixed with diesel fuel or on its own, which contributes to reducing

greenhouse gases with emissions over 80% lower than those of oil-based fuels - the result of a renewable energy source replacing fossil fuels.

Hera service for the collection of cooking oils used at shopping centres launches in Rimini

The collection of used cooking oil now also takes place in busy public areas. August saw the introduction of the first bin in Romagna specially designated for the retail trade, which joins the 15 roadside columns for the separate collection of used cooking oils already present in the city. In this way Hera intends to provide citizens with a high-quality and more far-reaching disposal service in the area it manages. The bin introduced in Rimini is the first in a shopping centre in Romagna and will gradually be followed by another 30 in areas adjacent to shopping centres and/or large supermarkets to cover the needs of another 700,000 people.

Waste Management Services System: information technology for waste management services

The Hergo Ambiente project represents an important technological evolution in the management of waste management services. The outcome of a process that began in 2012, it will become fully operational in the first half of 2015.

The new centralised IT system makes it possible to design, plan and programme the services: it interfaces with a field system that receives the data used to create the reports. The data are collected with mobile or fixed devices, provided to operators or installed on waste collection or road sweeping vehicles. To guarantee the supervision of the field, a control room was set up to monitor the correct functioning of the devices.

Hergo Ambiente was made available to both Hera employees and third-party suppliers that access the system and use the same technological tools, thus guaranteeing the consistency of all information related to the services managed by Hera.

Finally, the operating and executive reporting system was reviewed and expanded to meet internal, institutional and stakeholder requirements.

101 new bins for second-hand clothes in Cesena for charitable purposes

From October the citizens of Cesena will be able to use the 101 new grey roadside bins to drop off textiles (clothes, knitwear and various domestic and clothing accessories) that they no longer use. The project involves Hera, the Municipality of Cesena and CSR (Consorzio sociale Romagnolo coop. sociale a.r.l.).

Reusable garments will be sanitised and put back on the second-hand market while those in a poor state will be treated at textile recovery plants. Revenues from sales will be retained by the social cooperatives for their work and part of these will be devolved to non-profit organisations identified by the Municipality.

Separate waste collection at the Resettlement Unit of Castelfranco Emilia (Modena)

Hera, together with the “Carcere Città” association, has launched a trial separate waste collection project in the Resettlement Unit of Castelfranco Emilia. The initiative involves around a hundred people, both inmates and prisoners, who have received training on disposal methods via special meetings. The project is producing eye-catching results: the percentage of separate waste collection at the Resettlement Unit is already over 74%.

Initiatives for the local communities

Renovation of the Viale Berti Pichat area in Bologna

The worksite for the seventh lot of the renovation project at the Viale Berti Pichat site in Bologna was opened in November 2014 in accordance with the Programme Agreement for the Urban Renovation of the Company Area signed on 1 July 2008 by Hera, the Province of Bologna, the Municipalities of Bologna, Castenaso and Granarolo dell'Emilia, and ARPA.

The seventh lot involves the demolition of a building called Nuova Officina and the construction of a new management building with annexed car park. When these measures have been concluded, in 2016 according to estimates, around 60% of the entire company area will have been renovated. With the demolition of two further buildings (by 2017), the development of urbanisation works and the execution of the remaining planned renovation works, the Programme Agreement plan will be completed by 2018.

The launch of the renovation process detailed in the Programme Agreement dates to 2008. Measures implemented include the development of the new Management offices, the new management centre in Castenaso and an underground car park, and other restructuring works inherent to the development of the project. These measures led to renovation work requiring investments of around Euro 8.3 million. Although not responsible for the pollution of the Viale Berti Pichat area (which dates to the industrial processing of carbon coke carried out between the mid-1800s and the 1960s), Hera has taken it upon itself to clean up the contaminated areas of the site at its own expense.

The Viale Berti Pichat area renovation project came under the glare of the media in November 2014 with unfounded, partial and inconsistent news and opinions espoused. To this end, below is a summary of the information that Hera has already communicated multiple times in various circumstances. All of the environmental cleaning measures carried out are consistent with the Renovation Project approved by the Municipality of Bologna and Conferenza di Servizi; the execution of the renovation measures takes place in consultation with the supervisory authorities which gradually issue certification attesting to their correct conclusion; they are consistent with the provisions of the Programme Agreement, meeting safety criteria for people and the surrounding area.

More specifically, with regard to the health & safety of people that work in the area (around 700 today, yet around 1,100 up until 2012, before the development of the new Castenaso site), the continuous monitoring of the air, in the rooms and outside, that Hera carries out under the supervision and control of the local authorities (Municipality of Bologna, ARPA, AUSL and the Province of Bologna), has always produced negligible concentrations well below the legal limits, which have therefore excluded any type of risk profile.

Hera has therefore always worked in full and complete respect of the law, for the protection of workers and citizens, and under the control of the supervisory bodies. In the light of the above, it therefore reconfirms the action choices and priorities established in the Programme Agreement.

Finally, as regards communications with employees, we would underline that the renovation measures have been the subject of various internal communications via the company portal and of meetings with the Health and Safety Representatives (RLS) since 2008, and even more recently, the last of which in November.

Detailed information on the project is available on the Group website. The full text of the speech on the renovation project given by the Group Chairman to the Municipality of Bologna in November 2014 can be downloaded, together with the reports by the Municipality of Bologna and ARPA. These documents contain a summary of the environmental monitoring results.

CiboAmico: 10,000 meals recovered in Hera canteens

“Cibo Amico” is the project that the Hera Group launched in 2010, with the support of Last Minute Market, for the recovery of meals prepared but not consumed in the 5 company canteens (1,500 meals a day) for 7 non-profit associations that work in the area with people in need (hosting over 260 people in total).

The project has social, economic and environmental benefits, from preventing the production of waste (4.5 metric tons correspond to the volume of around 10 bins) through to reusing excess food and preventing the waste of the water, energy and land consumption required to produce it.

In 2014, 10,425 complete meals were recovered, equating to 41,902 euro.

From the start of the project through to the end of 2014, around 48,400 meals were donated for an overall economic value of over 192,000 euro.

FarmacoAmico: for the recovery and charitable reuse of medicines that have not yet expired

The “FarmacoAmico” project for the separate collection and reuse of medicines that have not yet expired was launched in Bologna in 2013. Promoted by Hera together with its partners the Municipality of Bologna, ANT, Last Minute Market and a number of trade associations in the pharmaceutical sector, FarmacoAmico seeks to collect medicines that have not yet expired in order to create a charitable network in the local area. The drugs, which still have at least six months to go before their use-by dates and which have been satisfactorily conserved, are reused by non-profit associations that operate in local or decentralised cooperation projects. The goal is to prevent and reduce the production of rubbish, spreading good practices regarding the reduction of waste and supporting the organisations that help the weaker sections of society. As well as non-profit organisation Fondazione ANT Italia Onlus - responsible for the storage, distribution, selection and inventory of medicines - Time4Life Onlus, Opera Padre Marella, Sokos and We are Onlus are also accredited as secondary beneficiary organisations. In 2014, 966 kg of medicines of a value of Euro 185 thousand were collected at the 27 pharmacies involved. The project is also active in the municipalities of Imola, Medicina and Faenza, in which 8 pharmacies were involved and over 9,500 packs of partially intact medicines collected, around 7,600 of which were recovered and reused (79%).

The project is also active in Ravenna and in September 2014 it was also launched in the Municipality of Forlì.

“Change the outcome” to give bulky waste a second chance

“Change the outcome” is the project that the Hera Group launched in March 2014 in order to recover bulky goods that can still be reused. Hera’s partners in this project are Last Minute Market, a spin-off of the University of Bologna, and 15 non-profit associations from the area served in Emilia-Romagna to whom, based on the indications and information provided by Hera, the public can decide to donate the bulky goods, in decent condition, that they want to get rid of. The initiative responds to the goals of the most recent environmental legislation which, outlining the need to take a less materialistic and more virtuous approach to life, prioritises the prevention of waste and its usage.

The operators of Hera Comm’s call center will be able to help citizens choose what to do with their goods and tell them which non-profit associations they can contact in order to “change the outcome” of their products.

In 2014, around 458 metric tons of bulky waste was collected. The non-profit associations were involved in over 3,200 collections, 2,700 of which door-to-door.

When environmental and social sustainability go hand-in-hand

The Hera Group projects for the prevention, recycling and recovery of waste, also aimed at the social rehabilitation of categories in difficulty, also continued in 2014.

Launched in January 2011, “Manolibera” is a project that was developed by Hera, in collaboration with the Techne training institute and the Comieco Consortium, for the creation of an artisan paper factory, overseen by an artist and a paper expert, at Forlì prison. Around 10 prisoners currently work on the project, producing artistic handmade items, writing paper and other objects for bodies, institutions, stores and bookshops, from scrap paper and cardboard. Following its launch, the project saw the opening of an office at Litografia Cils in Cesena and was also able to present itself at the Cesena trade fairs. In 2014 Legatoria Editoriale Berti joined the project, making its expertise available in order to organise the marketing of the products and the distribution network.

The “RAEEbilitando” workshop, started up in Bologna in collaboration with the Remedia Consortium and the Opera dell’Immacolata, employs disabled youngsters in activities for the dismantling of non-hazardous WEEE. During 2014, in addition to the 9 youngsters employed, another 3 joined in order to get acquainted with and experience this type of processing. Since the project began, 90 metric tons of WEEE has been processed, recovering nearly 90% in weight of the materials (copper, aluminium, plastic, glass). Compared with the scenario of the disposal of the quantities supplied to the workshop, this activity has enabled energy savings of 158,073 GJ and prevented the atmospheric emission of 4,388 metric tons of CO₂.

Launched in 2008 in Bologna, Ferrara and Forlì, the “RAEE in carcere” (WEEE in prison) project also continued. Developed and coordinated by Hera and Techne, it involves the Region of Emilia-Romagna and numerous bodies and organisations. Partners include recovery consortiums Ecolight and Ecodom, and recently also ERP.

The prisoners are employed in the disassembly of WEEE deriving from the Hera Group separate waste collection centres. The various components of the waste are dismantled and sent to specialised plants: over 85% is recovered. Over 60 prisoners have been involved in the 3 workshops since the start of the activities and, of these, 20 have been employed by the social cooperatives that manage the workshops while another 2, on conclusion of their sentences, were granted work placements in local businesses. The quantity of waste treated to date amounts to more than 2,800 metric tons, with a positive annual growth trend.

Imola class wins the Hera ‘Science Well’

‘Science Well’, the Hera science project for secondary school pupils which from 24 February to 16 April involved the schools in the region, ended with an online challenge between the classes participating in the 2014 edition, a challenge taken up and won by a class from Imola.

The students answered the questions of a computer-based quiz relating to the themes dealt with during the meetings, laboratories and workshops held in the schools. All of which focused on the theme “Be smart. Intelligent cities and scientific creativity”.

Fifty-nine classes took part in the competition and the winning class was 4th BL of IIS “F. Alberghetti” of Imola with an average of 31.94 seconds taken for each correct answer. The prize for the entire class is a day in Trento at the new Science Museum.

VedoHera: a newsletter that outlines the Group's commitment to sustainability

VedoHera is the Group newsletter containing sustainability-related news, events and appointments. As well as being sent to 114,000 subscribers, it is also available online on the company website in the section dedicated to Corporate Social Responsibility.

This important communications tool is also a concrete opportunity to dialogue with company stakeholders, useful for updating the public on the company's goals and the commitments it has undertaken with the Sustainability Report.

More dialogue and feedback with HeraLAB

HeraLAB is an innovative tool for dialogue and involvement with the local communities.

Short for Local Advisory Board, the LABs are multistakeholder committees that aim to interpret the needs of the communities and propose initiatives aimed at improving the sustainability of Hera's services. The actions of the LABs are defined in a Regulation that is shared and approved by each LAB.

Each LAB is made up of between 7 and 12 participants, chosen and appointed by the Hera Board of Directors.

The members of the LABs are chosen by the company on the basis of their background and knowledge of the community in which they live. When defining the make-up of the LABs, Hera seeks to represent, as far as possible, the multiple categories of stakeholders that operate and work in the relevant area. Appointments are strictly personal, last for three years, like the LABs, and are independent of any corporate roles eventually covered by members. Members of the LAB receive no compensation. For every meeting and for every participant, the company calculates an attendance fee of 100 euro that goes towards a charitable fund that the LAB donates each year to sustainability initiatives promoted by public institutions or local non-profit organisations.

The LABs meet 4-6 times a year and the working process is structured into 4 key phases. As well as the number of meetings established by the Regulations, the LAB can also request in-depth examinations that also count when calculating the attendance fees.

The HeraLABs work on the basis of the process defined in the regulations and structured into 4 stages:

- knowledge;
- planning;
- development,
- realisation.

As of the second year of activity, the 4 LAB meetings will be split into two parts:

- ordinary LAB activities will be conducted in the first part, as was the case in the first year of activity;
- the second part will be dedicated to monitoring and reporting on the initiatives approved the previous year, proposed by the LAB and approved by Hera.

In 2014 there were 17 meetings in the 5 Lab, 1 of which was an in-depth analysis of the theme of district heating in Ferrara and 3 of which were related to the work of the subgroup on district heating in Imola-Faenza.

The first two trial HeraLABs were launched in Ravenna and Imola-Faenza in 2013. Thanks to the results achieved in these areas, the company has decided to continue to extend the project in other areas: Rimini, Ferrara and Bologna. The Modena LAB will be launched by June 2015.

The Ravenna and Imola-Faenza LABs proposed local initiative plans that comprised of 16 initiatives in all, 8 per area. The most relevant issues brought up in the Ravenna and Imola Faenza areas were those of separate waste collection, public water and rates, attention on users at risk, understanding the bills, renewable energy and energy efficiency.

Hera and volunteers together for economically disadvantaged users

The new project by HeraLAB (the new dialogue and participation tool promoted by Hera involving various stakeholders in Ravenna) to support economically disadvantaged users was implemented with the distribution of domestic waste calendars by a group of volunteers from the “Linea Rosa” and “Progetto Uomo” non-profit associations in the Bassette di Ravenna artisan zone. The initiative involves the award of bonuses to associations and communities that support Hera in activities to promote good environmental practices, which can be used to pay Hera bills and support their own initiatives.

The calendars highlight the allocated days for the collection of various types of waste and useful instructions on correct separate waste collection in terms of how to dispose of waste are provided, together with rules on how to differentiate the various materials and indications regarding the hours in which the waste can be put out on public land.

Fibre optic network for free Wi-Fi coverage

Thanks Cooperativa Spiagge, Hera, Acantho and the Municipality of Ravenna, it is possible to access the internet using laptops, tablets and smartphones at over 200 beach resorts. Ravenna is the biggest Italian beach covered by the service with over 40 km of coast served, and is the second to adopt the service after Cervia.

All 37 schools in Modena connected to broadband

Thanks to an agreement between the Municipality of Modena and the Hera Group which, through Acantho, developed the Wi-Fi network at the schools and oversaw its maintenance and management, all 37 schools in Modena have a broadband connection. The schools have a broadband connection, mainly in fibre optic. Through these technologies, the use of electronic registers in schools becomes easier and, to this end, Hera and Acantho also participated in the drafting of the content of the Municipality of Modena Digital Agenda.

Fibre optic video surveillance for the Municipality of Alfonsine

A network of urban video surveillance cameras, connected to the Lugo operations centre, was developed for the Municipality of Alfonsine. Multiple results were achieved thanks to the decision to use a fibre optic network: the excellent reliability of the system, high-res and high frame-rate images, and public Wi-Fi for citizens and to enhance the area, at the same time offering businesses integrated broadband services.

With Onda Libera Wi-Fi comes to the beaches of Ravenna

Thanks to “Onda Libera”, since July 2014 it has been possible to listen to music, watch films, check your email and chat online for free under the beach umbrella. Stemming from a partnership between the Municipality of Ravenna, Cooperativa Spiagge and Acantho, a Hera Group company, the project has made it possible to provide Wi-Fi coverage at the 208 beach resorts on the Ravenna coast, allowing tourists to access the internet for nothing using their laptops, tablets and smartphones.

Hera and the fairytale hospital

With a little imagination it is possible to see beyond your illness and deal with the trauma of being in hospital. It is with this spirit that designer and cartoonist Sally Galotti of Forlì, who trained as an illustrator at the Disney Academy, designs the walls of children's hospitals, in the hope of bringing a smile to the faces of young patients. It is called the "pictorial humanisation" of spaces and was also carried out at Sant'Orsola Hospital of Bologna in a ward for patients of up to 18 years of age. Here Sally produced over 90 m² of drawings, financed by Hera. The works were carried out using long-lasting nontoxic, non-flammable and washable materials.

Il genio delle acque: a new jewel in the crown of Ravenna's museum heritage

"Il genio delle acque" (The genius of the water) is the name of the new RavennAntica museum display which since the spring of 2014 has enriched the collection of ancient and modern mosaics of the TAMO museum in Ravenna. The exhibition is named after the most important artefact on show: the depiction of a bearded man, symbol of a river divinity, unearthed in August 2011 at the Hera worksite for the creation of the Underground Drop-off Point in Piazza Anita Garibaldi in Ravenna. The Hera Group, particularly sensitive to the promotion of culture in the areas it serves, financed the archaeological dig, the separation of the mosaics and the restoration in full, as part of a fruitful partnership with the RavennAntica Foundation and the Emilia-Romagna Councillor for Archaeology.

Suppliers

Currently, Hera's suppliers are more than 4,000 and are mainly located in the region originally served (62%), highlighting the Group's positive impact on the local economy. All the qualified suppliers have signed the letter of intent containing the commitment to observe the SA8000:2008 standard.

Objectives and performance

What we said we would do	What we have done
<ul style="list-style-type: none"> Continue to show preference for the economically most advantageous bid in place of the maximum reduction: ensure at least 75% of the value of the adjudications using the economically most advantageous method. 	<ul style="list-style-type: none"> 76.5% of the value of the adjudications was achieved using the economically advantageous offer method.
<ul style="list-style-type: none"> Envisage a social clause in the new tenders for the purpose of ensuring employment continuity in the event of services already outsourced, with exclusion of the cases of insourcing, relating to network emergency response and services relating to the handling of the relationship with the end customer. 	<ul style="list-style-type: none"> The social clause in order to ensure employment continuation has been included in the tender for the execution of the ancillary activity and mass replacement of gas, water, electricity and district heating meters service.
<ul style="list-style-type: none"> Continue with the "SA8000 supplier monitoring plan": signing of a letter of intent by all the new suppliers, collation of 50 more questionnaires, achievement of 10 inspections on suppliers. 	<ul style="list-style-type: none"> During 2014, 12 inspections were carried out of which 8 care of supplier premises and 4 care of our worksites. 58 questionnaires were collected, which represented the basis for the scheduling of the audits.
<ul style="list-style-type: none"> In the adjudications carried out in 2014 relating to services and work using the economically most advantageous bid method, reserve on average at least 20 points for environmental and social sustainability aspects. 	<ul style="list-style-type: none"> In relation to the adjudications made in 2014 using the economically most advantageous offer method, the average score assigned to sustainability criteria was 25 points.
<ul style="list-style-type: none"> Continue to develop the management systems relating to quality, safety, environment and social aspects as criteria for selecting the suppliers. 	<ul style="list-style-type: none"> The development of the certificate management systems continued in 2014. 85% of the supplies originate from ISO9001 certified suppliers, 55% from EMAS/ISO14001 certified suppliers, 46% from OGSAS 18001 certified suppliers and 18.4% from SA8000 certified suppliers.
<ul style="list-style-type: none"> Enter into the memorandum of understanding with the trade union organisations on the procurement guidelines. 	<ul style="list-style-type: none"> A draft of the memorandum of intent concerning tenders was presented to the trade union organisations in June 2013. The action envisaged by the memorandum has therefore been implemented.
We shall	Scope*
<ul style="list-style-type: none"> Economically most advantageous bid: <ul style="list-style-type: none"> Tenders for public services and work: 100% of the value Total adjudications in the year: >70% of the value Average score reserved for sustainability: 20 out of 100 	H
<ul style="list-style-type: none"> Continue to envisage the social clause to guarantee employment in the contracts for emergency services on networks and services relating to customer handling (excluding the cases of insourcing). 	H
<ul style="list-style-type: none"> Develop supplier dynamism: define a model for encouraging the generation by the suppliers of winning solutions within a win-win logic. 	H
<ul style="list-style-type: none"> Continue with the development of the quality, safety and environmental management system in the choice of the suppliers. 	H A
<ul style="list-style-type: none"> SA8000 monitoring: additional 55 questionnaires and 10 audits care of the 	H

suppliers.		
• Monitor the accidents for 70% of the value of the supplies.	H	
• Achieve a second convention with the main suppliers.	H	A
• Integral compliance with the Group platform for qualification and selection of the suppliers by the end of 2015.		A

* H: Hera; A: AcegasApsAmga; M: Marche Multiservizi

Our suppliers

Over 4,000 companies supply Hera with goods, services and work

At the end of 2014, the Group's suppliers included over **4,000 companies** qualified to supply Hera with **goods, services, professional services and work**. Most suppliers are included in the pool of suppliers in several goods/services categories.

All data provided in this section, unless otherwise indicated, refers to the companies Hera S.p.A., AcegasApsAmga, Hera Comm, Herambiente, Fea, Hasi Uniflotte and Hera Luce and excludes intercompany purchases. The section also includes the main information relating to Marche Multiservizi.

The presence of a single list of qualified suppliers for the entire Group represents an opportunity for suppliers to expand their business for all goods/services categories associated with them.

The process for the alignment of the AcegasApsAmga procurement guideline with those in force in the rest of the Group, was completed in 2014.

Pool of suppliers

No.	2012	2013	2014
Goods	1,965	2,219	2,124
Services	2,587	2,804	2,823
Job orders	516	534	592
Total	3,716	4,049	4,093
of which suppliers who received at least one order during the year	3,133	2,717	2,743

The table provides a breakdown of suppliers by goods/service class. Because some suppliers belong to more than one class, the total for suppliers by class does not tally with the total for suppliers. Excluding Marche Multiservizi.

Of the **4,093** suppliers, more than **2,700** have had at least one active contract in 2014: mention is made of the continuation of the purchasing rationalisation process, also encouraged by the new organisation by business line defined in 2013. The **main activities outsourced** by Hera in the area of waste management services concern the refuse collection services using rear-loading compactors or small-load compactors, the door-to-door refuse collection service, street cleaning and washing (manual and mechanised), the cleaning of street refuse skips and the management of the Separate waste collection centres. With regard to the grid services, the activities for which the greatest recourse is made to outside suppliers concern highly specialised plant engineering maintenance activities and meter services (readings, closures, initialisations, etc.). Transversally, facility management (global service), call center, commercial and contact activities are outsourced.

Supplies from social cooperatives

In 2014, consistently with the provisions of the Protocol signed in 2009 with associations representing social cooperatives, we continued to hold periodic meetings to monitor the employment of disadvantaged personnel by type B social cooperatives in the management of the work contracts awarded by Hera Group companies.

Monitoring is carried out according to an operating instruction in accordance with

the Protocol signed and following the Hera procurement guidelines and covers all Group contracts in which social cooperation personnel operate. Quarterly verifications are made of the total number of persons facing hardship employed, the type of hardships faced by individual workers used in the supply and their qualifications within each single contract. It is thus possible to check the observance of the work input project presented at the time of the tender by the supplier with consequent assessment of the same.

Supplies from social cooperatives

	2012	2013*	2014
Social cooperatives or consortiums (number)	26	23	32
Value of supplied goods/serv. (in thousands of €)	33,155	35,497	43,590
Persons facing hardship hired (number)	576	581	611

Among the persons facing hardship hired, workers employed for less than one year were also counted. Excluding Marche Multiservizi.*Excluding AcegasApsAmga

In 2014, the **value of the supplies** regarding types of work or services requested from social cooperatives by Hera, came to about **Euro 43.6 million**. Of this amount, around 5.9 million relates to AcegasApsAmga, a figure which registers an increase of 47% with respect to last year due to the adjudications made in 2014 for the door-to-door separate waste collection activities in the Padova area. The value of the supplies also increases for Hera S.p.A. (Euro +2.2 million) in particular in the Emilia area again within the sphere of waste management services.

Out of the total of the deliveries made by social co-operatives, about **Euro 42 million** was assigned for the execution of **waste management services**, equal to almost **25%** of the total awards made by the Group for these services. Supplies involved **32 cooperatives or consortia of social cooperatives** in total, with the employment of **611 persons facing hardship**, of which **more than 436 under permanent contracts and around 276 under full-time contracts**; at geographic level, those employed in the Emilia area came to 268, those in the Romagna areas 295 and 48 in the Triveneto area.

Scope being the same, there was a slight drop in persons facing hardship, essentially due to the termination of cemetery services in August 2013 and therefore still included in the figure for 2013. With regard to Marche Multiservizi, the value of the supplies from social co-operatives came to Euro 1.1 million, due to the adjudications for waste management services: the number employed came to 32.

Hera contributed to the inclusion in the national collective agreement for waste management services (renewed in February 2011) of a specific **protection clause** for outsourcing in favour of social cooperation. This clause sets forth that a portion of outsourcing for the sweeping, collection, waste transportation activities, cleaning of septic tanks and cleaning of bins, is excluded from the obligation to apply the waste management services collective labour agreement, via the definition of socially inclusive projects. This portion comes to 5%, raisable at company level to 15%; Hera applies 15% on the basis of an agreement entered into in March 2012 with the trade union organisations and with the Group union co-ordination.

Operations within local communities

The value of local supplies is 67% of the total

The impact generated by the Hera Group on the area and on the local communities in which it operates, confirmed itself to be a great importance again in 2014.

More than **62% of the companies** enrolled in the supplier register have **commercial headquarters in the area covered by Hera** which as from 2014 also included the Triveneto region. With regard to Marche Multiservizi, 58% of the suppliers have headquarters in the reference area.

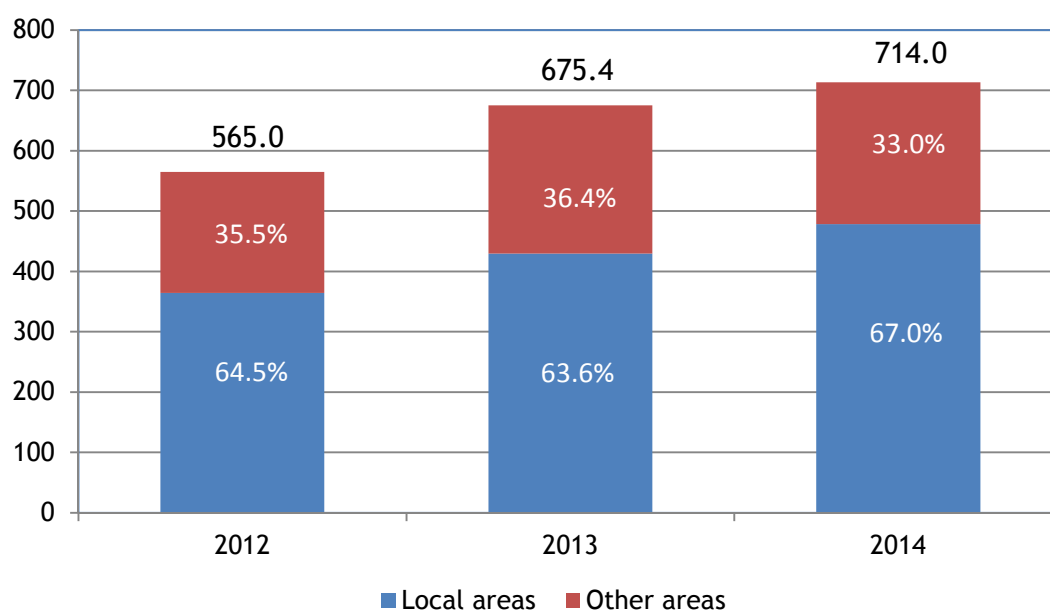
Monitoring and rationalisation of qualified suppliers continues, linked to the now consolidated Vendor Management system as well as the verification of the effective use in the previous three years. This action is reflected in the numerousness of the suppliers enrolled.

Suppliers (breakdown by geographic area)

No.	2012	2013*	2014	% of 2014 total
Bologna area	579	621	578	14.1%
Ferrara area	173	179	171	4.2%
Forlì-Cesena area	319	330	307	7.5%
Imola-Faenza area	228	228	218	5.3%
Modena area	401	405	335	8.2%
Ravenna area	274	294	261	6.4%
Rimini area	244	259	223	5.4%
AcegasApsAmga area			456	11.1%
<i>Total area served</i>	<i>2,218</i>	<i>2,316</i>	<i>2,549</i>	<i>62.3%</i>
Other Italian regions	1,428	1,656	1,461	35.6%
Other European Union nations	54	59	68	1.7%
Other	16	18	15	0.4%
Total	3,716	4,049	4,093	100%

* Excluding AcegasApsAmga.

Value of supplies: breakdown by geographic area (in millions of €)

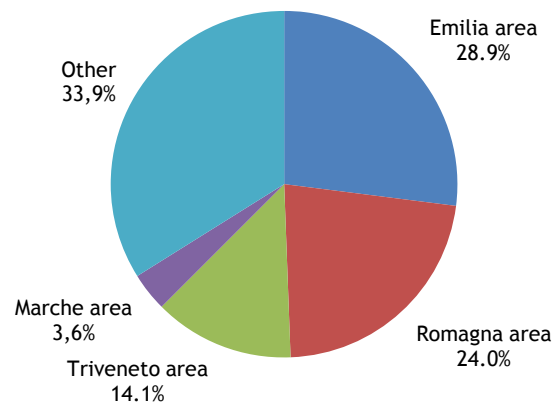


In terms of **economic value**, Hera issued purchase orders for **Euro 478 million (67% of the total)**, to businesses based in the **same area as that covered by Hera**, a percentage essentially in line with respect to that for previous years.

The **purchases outside the European Union** were made vis-à-vis suppliers with commercial headquarters in Switzerland, the Republic of San Marino, the United States and Canada.

Including the purchases of Marche Multiservizi, the value of the supplies ordered from businesses based in the same area covered by Hera increase to 505,2% euro million, equal to 66.1% of total.

Value of supplies: breakdown by geographic area (2014)



Qualification and selection of suppliers

A system for the selection and qualification of the suppliers to guarantee the safety and quality of the procurements

Supplier qualification and assessment is based on verification of **technical, economic, and organisational quality requirements, compliance with environmental and safety regulations and corporate social responsibility requisites**, as well as acceptance of the **Group Code of Ethics**.

The Vendor Management system

Consolidated back in 2012, the vendor management system represents the model for the self-registration and qualification of the suppliers and for the Group is an important development in the relationship with its suppliers. The system supplements the **e-procurement platform**, introducing new instruments aimed at streamlining the relationship, making the **qualification and assessment process more central** within the Group's certified system.

Within the area of the website dedicated to qualification, the suppliers can access the procurement product categories and use the following services:

- independently update the profiles of interest, putting oneself forward for any new commodity groups within the accredited suppliers system;
- keep ones details up-to-date independently (in particular, contact person and e-mail address) as well as the schedule of the supplier qualification documents;
- check one's qualification and periodic assessment status;
- gain the possibility of being called more frequently to present bids;
- gain the possibility of receiving information relating to the awarding of a contract;
- being updated on the Group's initiatives of economic interest.

With regard to the suppliers who request that they be included in the Hera supplier qualification system managed using the e-procurement platform, an **annual membership fee** is envisaged in keeping with the number of commodity sub-categories of goods groups (families) which the supplier shows interest in.

During 2014, a process was undertaken for the application of the "Hera Group supplier qualification and assessment" procedure, revised in 2013, which redefines the relationship with the supplier sphere further developing the aspects of simplification, transparency and interactivity already posed by the e-procurement

platform adopted originally for the purchasing processes. The objective declared in the procedures and in the interface documents with the suppliers is to build a partnership relationship aimed at stimulating the on-going improvement of the operations, the reciprocal entrepreneurial growth and, consequently, the creation of common value.

An additional important innovation introduced in 2014 is the request made to suppliers, in the qualification stages, for the sectors of interest identified by the CPCM dated 18 April 2013 (for example transportation and waste disposal, road haulage and site security), **of the obligation to enrol in the white list care of the related Prefect's office**, or the list of suppliers which provide services and work execution not subject to the risk of mafia infiltration. The enrolment of a business operator in the white list replace the anti-mafia Communication or Disclosure also within the sphere of the entering into of contracts or authorisation for sub-contracting in commodity sectors other than that of enrolment.

Another important aspect of the Vendor Management system is the progressive development of the **business operators who jointly take part in the performance of the contracts** for the Hera Group in the role of sub-contractors, consortium members or principals in temporary joint ventures. Its purpose is also the implementation of a more complete set of reporting, aimed at improving the governance of the purchases, extending the valuation and control mechanisms envisaged by the Group procedures to this range of parties.

Suppliers: breakdown by type of certification

The **constant increase** in the percentage of supplies commissioned from **certified suppliers** is the result of both direct action taken by the company (via systematic inclusion of supplier qualification as an obligatory requirement in the public invitations for tenders or the supplier approval stage), and of a greater **sensitivity acquired by the system** of the companies (awareness that improvement in these spheres is a component of competitiveness).

Mention is made of the increase in the supplies from companies certified in all the segments, more emphasised in the value ordered from suppliers with safety certification.

Procurement from suppliers - value breakdown by type of certification % of total supplies)

%	2012	2013	2014
Quality certification (ISO 9001)	79.7%	81.9%	85.1%
Environmental certification (ISO 14001-EMAS)	50.7%	52.3%	55.0%
Certification of qualification for execution of public works (SOA)	46.5%	46.7%	47.3%
Occupational safety (OHSAS 18001)	24.9%	29.5%	45.7%
Social certification (SA8000)	8.5%	17.4%	18.4%
SINAL/SIT	4.1%	4.5%	4.7%
<i>Total supplies (in millions of €)</i>	<i>565.0</i>	<i>557.6</i>	<i>586.3</i>

Excluding AcegasApsAmga and Marche Multiservizi.

Supplier assessment and checking

With regard to supplier assessment, once again in 2014 the improvement of the **monitoring model and the handling of the periodic assessment** of the suppliers continued by means of the maintenance of quarterly reporting set up in 2011, which permits the company contact person to check the contractual performances of the suppliers in the fundamental areas of quality, safety and the environment with the addition of a fourth concerning corporate social responsibility. The possibility of temporarily suspending the contractual relationship for 3 or 6 months

in the event of serious or very serious non-compliance of the supplier was implemented once again in 2014 for two suppliers as a consequence of very serious non-compliance (suspension of 6 months for both).

The quarterly assessment makes it possible for the active supplier to receive an up-date of their scoring for each individual qualified commodity, on the basis of the presence or otherwise of quality warnings detected and therefore involving an increase (total absence of anomalies) or a decrease (in relation to the seriousness of the anomalies detected).

The scores have therefore been divided up into 3 categories which guide the selection of the qualified suppliers by specific commodity class affected by the private tenders carried out by the Hera Group.

Area type	Score range	Level of reliability
GREEN area	= 75 pts. and ≤ 100 pts.	from averagely reliable to very reliable
YELLOW area	= 60 pts. and ≤ 74 pts.	from sufficiently reliable to averagely reliable
RED area	≤ 59 pts.	critical

The **checks carried out by the company contact personnel** take place for the deliveries of goods on receipt, while in relation to the provision of services and work the check takes place, for each related quarter, during the execution of the services by means of compiling and subscription of **specific monitoring check lists** which take into account the elements concerning the presence of any sub-suppliers as well. During the second half of the year, an important project was launched by means of the establishment of a company Work Group, for the further streamlining and standardisation of the main service and work check lists. This is so as to ensure increasingly greater coherence and equity in the assessments made.

The classification of the **quality warnings** also helps to ensure the prompt and correct quarterly evaluation of the qualified suppliers. Four categories have been identified which essentially reflect the main certifications which the Hera Group has obtained: anomalies linked to the failure to observe ISO 9001, ISO 14001, OHSAS 18001 and SA8000 certification.

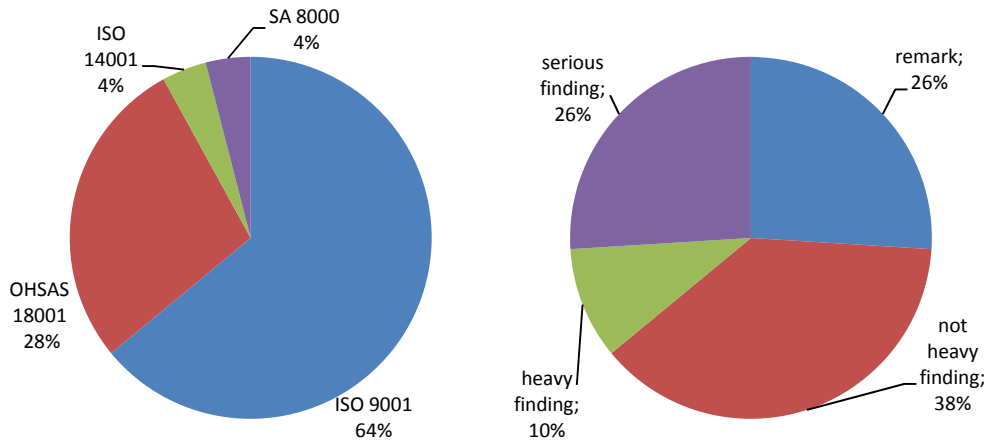
The number of checks on services and work is always defined on the basis of the contractual amount, the term of the order and the contract, and the impact on quality, safety, the environment and on the social responsibility of the services monitored.

Once again in 2014, the internal audits of the Quality, Safety and Environment Department and the Procurement and Tender Contracts Department continued for checking the procedures adopted: the new training plan for company contacts was based on the problematic elements noted during these encounters.

In 2014, inspections continued at the facilities of suppliers of strategic goods, in some cases noting partially non-compliant conduct which was promptly highlighted, with consequent launch of corrective action and prompt verification of the effectiveness. 5 inspections were carried out during the year.

During 2014 (excluding AcegasApsAmga) a total of 557 cases of non-compliance were detected (-10% with respect to 2013), of which 457 were closed by 31 December 2014. The non-compliances relating to the observance of safety legislation numbered 158, those relating to respect for the environment were 19 and those concerning the social commitment were 24.

Findings - 2014



Excluding AcegasApsAmga and Marche Multiservizi

Tenders for contracts awarded on the basis of the most economically advantageous bid approach

In the specific areas identified in the Hera Group's Procurement guidelines, and in detail "social commitment", "quality of services" and "economic value", **sustainability criteria** have been identified which are the fruit of the experience acquired in managing calls for tenders according to the method of the most economically advantageous bid, based on doctrine and also on regulations on the matter, in line with Hera Group objectives.

In the operating instruction "Identifying Sustainability Criteria by Goods/Services Purchasing Sub-Category" a **minimum number of sustainability criteria for choosing suppliers** were established, based on the amount and importance of the tender (if it is a tender with a significant impact on the environment, occupational safety, the quality of services provided to customers, the term or amount of the contract). Among the other criteria, mention is made of: the management of atmospheric emissions and sound, prevention, reuse and recyclability of waste; energy efficiency; reduction of the dangerousness of substances used and reduction of water consumption (for the environmental protection criterion), supplier's adoption of their own Code of Ethics, hiring of persons with disabilities and persons facing hardship, accident prevention and safety training (for the social commitment criterion), quality of materials, equipment and instruments, professional qualifications and skills, technical services and performance (for the service quality criterion).

The Procurement and Tender Management Departments are responsible for selecting the sustainability criteria in agreement with the company contacts concerned. They chose the criteria to be used based on the type of tender, the importance of the sustainability criterion in relation to said tender, and assessments of previous tenders assigned and their results. For assistance in selecting the criteria and assessing bids in the tender phase, the Purchasing and Tender Management Departments can also use the technical support of the Corporate Social Responsibility Department and the Quality, Safety and Environment Department. Indicatively, the technical-economic score ranges from a minimum of 20 points for the supplies to a maximum of 60 points for the services and the emergency response work on networks and plant maintenance.

Public tenders for contracts adopting the economically most advantageous bid method

	2012	2013	2014
No. of public invitations for tenders published	13	9	13
Value of the public invitations for tenders published (in millions of €)	183.5	63.4	91.5
% of tenders with economically advantageous bid out of total (value of the calls)	100%	100%	98%
Average score assigned to aspects relating to sustainability of public tenders awarded during the year	27	22	26

Excluding AcegasApsAmga and Marche Multiservizi.

In 2014, excluding AcegasApsAmga, a total of **13 public invitations for tenders** were announced, for a total starting price of over Euro 91 million, all to be awarded based on the criteria of the most economically advantageous bid, with the exception of two supply tenders for the IT systems area based on particularly specialised technical specifications. The average score reserved for sustainability aspects in public tenders came to 26/100.

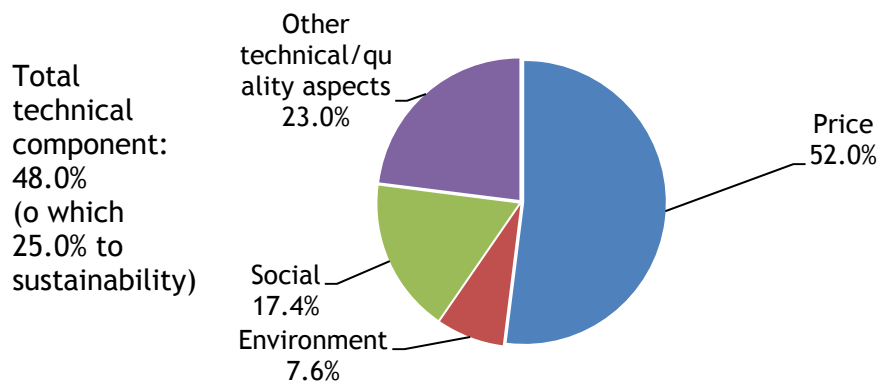
Furthermore, **9 public tenders for qualification systems** were held, which were not included in the total as the regulations require that the tender amount and the award method be defined as and when in the subsequent negotiation procedures.

The method of awarding involving the most economically advantageous bid is applicable (if the tender procedures permit recourse to the method of the economically most advantageous bid) to the entire purchasing cycle, with a clear predominance for purchases of services and work, given the already high standardisation of the technical specifications with regard to the sphere of materials supplies and in some cases of work. We would like to point out that **76.5% of the value of contracts** managed by the Procurement and Tender Contracts Department, excluding AcegasApsAmga, to which the most economically advantageous bid criterion is applicable took place according to this method, in place of the largest discount.

Around 89% of the value of the contracts awarded using the economically most advantageous bid were carried out using the **environmental assessment criteria**, while 91% was carried out assessing the **social commitment**. **92.3%** of the value of the contracts awarded using the economically most advantageous bid was carried out using the environmental and/or social assessment criteria.

In relation to the orders/contracts awarded during 2014 via the economically most advantageous bid adjudication method, the **average score** assigned to the technical component was 48 points out of 100, of which **25 relating to sustainability criteria (7.6 pertaining to environmental aspects and 17.4 to social aspects)**.

Total adjudications with economically most advantageous bid: scores assigned to the various components (weighted average on the basis of the call amount) (2014)



Excluding AcegasApsAmga.

Total adjudications adopting the economically most advantageous bid method

	2012	2013	2014
Value of the total adjudications to which the economically most advantageous bid adjudication method is applicable (millions of €)	321.9	359.8	378.1
% of the value of the adjudications adopting the economically most advantageous bid method	70.2%	76.1%	76.5%
% of the value of the adjudications adopting the economically most advantageous bid method with environmental and/or social criteria	-	93.0%	92.3%

Excluding AcegasApsAmga and Marche Multiservizi.

The objective for 2015 is to continue to show preference for the economically most advantageous bid in place of the maximum reduction, thereby ensuring at least 70% of the value of the adjudications. Furthermore, it is proposed that on average at least 20 points be reserved for environmental and social sustainability aspects in the adjudications carried out relating to services and work using the economically most advantageous bid method.

Among the **public tenders** awarded in 2014, mention is made of the following:

- In the restricted procedure public tenders for the awarding of the solid municipal and similar waste **collection** and transportation service in the municipality of Imola and Faenza and the neighbouring municipalities in the provinces of Bologna, Florence and Ravenna, for an annual amount of around Euro 7.9 million, of the 60 points reserved for the technical component 25 points have been reserved for social sustainability (development of the projects for the work induction of individuals facing social hardship) and 12 for environmental sustainability (age and impact of vehicles used, which is joined by 8 points in relation to the type of vehicles for the purpose of ensuring the safety and optimisation of the performance of the service).
- In the restricted procedure public tenders for the awarding of the manual and mechanised **sweeping** service, including accessory services, in the municipality of Imola and Faenza and the neighbouring municipalities in

the provinces of Bologna, Florence and Ravenna, for an annual amount of around Euro 2.6 million, of the 60 points reserved for the technical component 30 points have been reserved for social sustainability (development of the projects for the work induction of individuals facing social hardship) and 8 for environmental sustainability (age and impact of vehicles used, which is joined by 6 points in relation to the type of vehicles for the purpose of ensuring the safety and optimisation of the performance of the service).

- In the restricted procedure public tender relating to the **portage** service, industrial cleaning, waste handling care of the Ravenna waste disposal and treatment plants, for a tender amount of around Euro 2.3 million, for a period of two years, of the 60 points reserved for the technical component, 15 points were reserved for social sustainability (possession of OHSAS18001 certification and control on the accident rate applied) and 25 points were reserved for environmental sustainability (possession of ISO 14001 environment certification, age and impact of vehicles used).
- In the restricted procedure public tender for the adjudication of the service for the **collection of solid municipal waste** of various kinds and related transportation to the recovery/disposal plants, by means of emptying of “roll-off” type containers or “press containers”, for a tender amount of around Euro 3.4 million, of the 60 points reserved for the technical component, 36 points were reserved for environmental sustainability (age and impact of vehicles used, possession of ISO 14001 environmental certification) and 8 points were reserved for social sustainability (possession of OHSAS18001 certification).
- In the restricted procedure public tender negotiated for **adaptation of the gas meters** in service, class **G16** and **G25**, to the thermodynamic reference conditions, in line with the obligations as per resolution ARG/GAS 155/08, for a tender amount of around Euro 5.3 million, of the 30 points reserved for the technical component, 9 points were reserved for social sustainability (possession of OHSAS18001 certification, safety training, accident and injury rate) and 5 points were reserved for environmental sustainability (possession of ISO 14001 environment certification, and environmental impact of vehicles used).
- In the restricted procedure public tender negotiated for supply, installation and commissioning of the **new oxygen production plant** care of the Bologna waste water treatment centre, for a tender amount of around Euro 5.9 million, of the 40 points reserved for the technical component, 2 points were reserved for social sustainability (possession of OHSAS18001 certification) and 28 points were reserved for environmental sustainability (possession of ISO 14001 environment certification and energy performance of the plant).

Furthermore, mention is made of the following **public qualification systems**:

- Within the sphere of the public Qualification System for the **supply of vacuum brushes** for a tender amount of around Euro 2.3 million and related maintenance activities for a period of seven years, of the 30 points reserved for the technical component, 24 points were reserved for environmental sustainability (diesel vehicles with reduced pollutant emission, low fuel consumption and low water consumption for mist spraying).
- Within the sphere of the public Qualification System for the awarding of **refractory maintenance** work to be carried out care of the waste-to-energy plants of Herambiente and Fea, for a tender amount of around Euro 5 million, for a period of two years, of the 40 points reserved for the technical component, 19 points were reserved for social sustainability (possession of OHSAS18001 certification, safety training, accident and

injury rate applied, obsolescence of the equipment used) and 2 points were reserved for environmental sustainability (possession of ISO 14001 environment certification and obsolescence of the vehicles used).

In conclusion, among the private tenders awarded in 2014, mention is made of the following:

- In the private tender for the awarding of the in-house **Canteen** service and associated company bar management located care of the head offices of the Hera Group (including AcegasApsAmga) for a period of five years, for an estimated annual amount of around Euro 2.3 million, of the 60 points reserved for the technical component, 7 were reserved for environmental sustainability (use of raw material produced or transformed locally) and 20 points were reserved for social sustainability (use of organic raw materials, availability of meals for celiac and diabetic individuals, food education disclosure services).
- In the private tender for the execution of the restoration of the **road surfaces** pertaining to scheduled maintenance work and network extension, for an annual amount of over Euro 3 million, of the 40 points reserved for the technical component, 19 points were reserved for social sustainability (possession of OHSAS18001 certification, safety training, accident and injury rate applied) and 2 points were reserved for environmental sustainability (possession of ISO 14001 environment certification).
- In the private tender for the awarding of the work for adaptation and renovation of the **waste water treatment plant in Cattolica (Rimini)**, for a tender amount of around Euro 2.6 million, of the 30 points reserved for the technical component, 5 points were reserved for social sustainability (possession of OHSAS18001 certification and accident and injury rate) and 8 points were reserved for environmental sustainability (possession of ISO 14001 environment certification and energy performance of the electric motors provided).
- In the private tender for building and civil **maintenance** activities, maintenance on equipment lines and tanks in fibreglass, maintenance for the insulation and coating of equipment, lines and tanks care of the plants of Herambiente located at the **Baiona Drop-off Point** in Ravenna, for an estimated value of around Euro 1.5 million, for a period of two years, of the 30 points reserved for the technical component, 12 points were reserved for social sustainability (staff training on safety, first aid and fire prevention, accident and injury rate applied and possession of OHSAS18001 certification) and 8 points were reserved for environmental sustainability (obsolescence of vehicles/equipment used for the service, possession of ISO 14001 environment certification).

With regard to Marche Multiservizi, 62% of the value of the calls relating to public tenders published in 2014 envisaged adjudication using the economically most advantageous method. The average score assigned to the sustainability aspects in these tenders came to 9 points.

Contract management

Hera handles procurement ensuring efficiency, cost-effectiveness, neutrality and non-discrimination

The guidelines with regard to procurement, in harmony with the Group's Code of Ethics and the organisational model pursuant to Italian Legislative Decree No. 231/2001 and the related Protocol, are the corporate references for supplier selection activities, determining the principles inspiring the Group's procurement for the acquisition of goods, services and work, aimed both at activities carried out under free market conditions and subject to public works contracts.

Furthermore, in accordance with the provisions contained in the AEEGSI 11/2007 resolution, as amended by the AEEGSI 57/2010 resolution concerning functional separation (so-called unbundling), it was also emphasised that the Hera Group handles the activities for the procurement of goods, services and work ensuring the application of efficiency, inexpensiveness, neutrality and non-discrimination criteria. In dealings with suppliers, it guarantees the adoption in the contractual documentation of clauses aimed at observing the confidentiality of the commercially sensitive information relating to the activities functionally separated.

Within the more extensive process for the harmonisation of IT systems and procedures, during 2014 the progressive alignment by AcegasApsAmga to the contract management formalities envisaged for the Hera Group was launched. In detail, AcegasApsAmga resolved on compliance with the Group Guidelines with regard to procurement and the subsequent coherent adaptation of the system of procedures associated with the same.

During 2014, activities already launched in 2013 continued, for the purpose of fully developing the opportunities for operating efficiency and sharing of the mutual requirements, further enhanced by the extension of the scope due to the merger of the Udine and Gorizia companies. A number of the examples of this process are witnessed by the tenders developed for the acquisition of insurance services, certification services, catering/canteen services, meter equipment supply services, etc..

Further action for social responsibility in tenders

On a consistent basis with the standards expressed in the Group Code of Ethics and with the matters required by the SA8000 standard in relation to attention towards the work conditions in the supply chain, the Hera Group confirmed the series of measures already implemented in 2013 which aim to implement social responsibility in tenders.

In detail, within the sphere of the public qualification system for the execution of the service for ancillary activities and mass replacement of gas, water, electricity and district heating meters, relating to the services provided by the Group for a value of Euro 5.5 million, in 2014 the **social protection clause** was introduced which envisages the obligation for the new supplier who is awarded a tender to make an employment offer for the operating staff employed by the supplier who has lost the tender: “It is hereby specified that the new contractor shall be obliged to make an employment offer consistent with the duration of the tender to the operating staff employed permanently and used mainly in the activities covered by the tender, on the payroll of the outgoing operator in the period of 240 days prior to the date of forwarding of the call to the Official Gazette of the European Community (20 May 2014). It is hereby specified that the operating staff “mainly employed in the activities covered by the tender” are understood to be workers of the company which is currently the contractor which in the period specified above have provided at least 50% of the total number of hours worked in the contract for the Hera S.p.A. Ancillary Activities”.

In this afore-mentioned tender, the following **clause** relating to the **limitation of the discount percentage** has also been envisaged: “It is hereby specified that, having taken into account the technical singularities subject to the tender and the economic analysis which underlies the price items which make up the unit price list under tender, the Customer deems that reductions of the tender base higher than 25% may present critical elements of sustainability and reductions higher than 30% may be difficult to accept.”

Furthermore, a further **clause for the request for authorisation to use temporary manpower** has been established in the standard specifications for the work and services categories. On the basis of this clause, the company or any sub-contractors, if in the execution of the services they intend to use professional

resources via recourse to manpower contracts or project-based contracts, must on a mandatory basis obtain the prior authorisation of the customer for the purpose of fully checking the observance of current legislation on the subject, as well as the possible alteration of the equal treatment between the competitors taking part in the tender, also via recourse to various tax benefits acknowledged to nations belonging to the European community. The company is in any event obliged to carry out the services covered by the tender, in observance of that offered and declared in the bid presented at the time of tender, irrespective of obtaining the afore-mentioned authorisation from the customer.

Furthermore, with regard to the attention paid to the aspect of absolute relevance associated with the possibility of mafia-type infiltrations with regard to tenders, please see the matters more fully specified in the section related to supplier qualification.

The monitoring of work accidents at suppliers

So as to have a complete picture of the accident/injury impact relating to the activities carried out directly and indirectly, as from 2009 Hera has set itself the objective of **monitoring the accident and injury indexes** for the main suppliers of work and services. Their specifications and tender contracts envisage - among the mandatory enclosures - the “Annual summary of the accidents or injuries occurring care of the contracting companies during the performance of activities on behalf of Hera” form, via which each supplier is required to **communicate its accident/injury indexes annually or at the end of the contractual period**.

Suppliers' workplace injuries

	2012	2013	2014
Value of supplies of services and work (in millions of €)	461.9	454.0	480.0
Value ordered from suppliers under monitoring (in millions of €)	354.2	365.9	386.0
Value ordered from suppliers under monitoring (%)	77%	81%	80%
Amount ordered during the year from suppliers who have forwarded the monitoring	275.8	314.1	360.0
Value ordered from suppliers who have forwarded the monitoring out of the value of the supplies of services and work (%)	60%	69%	75%

Excluding AcegasApsAmga and Marche Multiservizi

The monitoring of the accident and injury information concerned the companies which in 2014 carried out services and work for Hera Group companies, with the exclusion of purchases of goods. In order to obtain a significant representation, during the analysis particular attention was paid to the collation of the data relating to the most significant suppliers in terms of amount acquired. The survey involved suppliers for an overall value of Euro 386 million which covers over 80% of the total ordered in the year.

At the date of drafting of this report, Hera had received accident/injury data from its suppliers, equal to an amount of around Euro 360 million. These figures refer to around 75% of the total value ordered by the Hera Group in 2014 for services and work (increasing considerably in the three-year period considered). Calculations based on the data received identified a frequency index of the average accident of 37.2 with a severity index of the average accidents of 0.83. These figures are the lowest registered in the last three years.

The E-procurement system

	2012	2013	2014
Volumes handled via the e-procurement platform*	90%	96%	98%
Suppliers with access to the platform	93%	96%	97%

Excluding Marche Multiservizi. *Excluding AcegasApsAmga.

With the extension in 2011 of the use of the e-procurement platform also to public tenders and with the exceeding in 2014 of **98% of the volumes traded on this platform** Hera is positioned at national best practice level in the use of evolved e-commerce instruments.

The use of sub-contracts

The new procedure introduced as from July 2013 for the authorisation of the sub-contract which makes the Works Directors and the company contacts, (parties tasked with controlling the outside companies), responsible for documental check activities, and Vendor Rating and Assurance responsible for the validation of the process, the checking of the social security contribution regularity as well as, if necessary, the request for prefectural anti-mafia information, was further consolidated and finalised during 2014. All the documentation regarding the request, check and authorisation has been standardised and further improved at Group level and made available, via the supplier portal, to the companies and via the Corporate Intranet, to all the employees. The fulfilments necessary for monitoring the activities of the sub-contractor companies at the worksite have also been further reviewed and up-dated (supplier monitoring check list), along with those for permitting correct and accurate administrative reporting. **Just over Euro 32 million was sub-contracted out** in 2014, equal to 7.2% of the amount of work and services outsourced by the Group.

Times of payment as per contract

The payment times for the supplies **during 2014 came to 114 days**, down with respect to the **2013 figure, equal to 122 days**.

Supplier relations

The channels of contact with the suppliers comply with the requisites of simplicity, efficiency and effectiveness

The channels of contact with the suppliers comply with the requisites of simplicity, efficiency and effectiveness.

The supplier portal is the main tool for communications with the market of suppliers, especially thanks to the consolidation of the activities for the handling of the qualified suppliers via the Vendor Management system and negotiation via the e-procurement platform. In 2014, there were **more than 18,000 requests for information** received, around **99% sorted out in the timescales envisaged** by company procedures.

Furthermore, during 2014 the by now customary discussion encounters continued with **Trade Associations and Representatives** (CNA and industrial associations/coop of Ravenna), along with participation in the meetings of the local multistakeholder committees **Hera Lab** further to requests for in-depth analysis into the Group procurement and supplier relationship system.

During 2014, the first training/disclosure course was organised for a Consortium and the related contractor companies so as to illustrate the anomalous management methods detected in the field during the monitoring of the Works Directors and the company contracts, the sub-contracting management process and the handling of the mandatory documents necessary for operating at the relevant work sites (services and works).

At the start of 2015, the by now customary meetings were held with representatives of **social cooperatives** working in the areas served by the Hera

Group, to discuss the 2014 results and opportunities to work together in 2014. Based on the analysis of the data collected, the related work group confirmed the validity of the procedures defined for monitoring. The meetings also pertained to the ways to promote employment projects.

Litigation with suppliers

At the end of 2014, there were **21 pending disputes with suppliers** (there were 31 at the end of December 2013), of which 7 initiated in 2014, mainly concerning tender issues.

Case studies for suppliers

Operations within local communities

Lead-on employment generated by Hera: over 6,700 workers

The impact on employment can be gauged directly by the workforce employed; taking into consideration the area in which the Group companies are operative (AcegasApsAmga and Marche Multiservizi inclusive), **8,510 employees** were taken on under permanent and temporary employment contracts.

In order to globally assess the social repercussions on the country, it is however useful to consider the employment of suppliers who procure sundry goods and services or support certain stages of the company process.

The lead-on employment can be estimated as that portion of the workforce of the suppliers which carries out activities on behalf of the Hera Group (including AcegasApsAmga and Marche Multiservizi), which in 2014 came to **6,781 units** of which 5,331 generated by Hera S.p.A. supplies and 1,098 by those of AcegasApsAmga.

The figure was obtained by analysing the financial statements of the Group's leading 429 suppliers which cover 72% of the volume purchased in 2014. In order to estimate the lead-on employment generated, the ratio between the value commissioned by Hera and the total sales turnover of the supplier was considered; this percentage was multiplied by the number of total employees declared in the suppliers' financial statements.

The role of Hera on the development of the suppliers: the results of Nomisma research

During 2014, Nomisma carried out research in order to investigate how Hera has influenced the development of its suppliers in the period 2011-2013. The survey, carried out on a sample of 593 companies, of which 354 Hera suppliers aimed to assess in a comparative manner the main dynamics of the two segments and therefore investigate the role of Hera.

Nomisma was able to verify that:

- Hera has had a stabilising role in the activities of its suppliers, in particular for 65% of the small-to-medium sized suppliers;
- 1 supplier company out of three declared that thanks to the supply relationship with Hera, it has gained new market areas;
- 1 supplier company out of 4 declared that it had introduced process/product innovations or certifications as a consequence of the supply relationship with Hera;
- 22% of the companies increased their workforce thanks to the supply relationship with Hera;
- the conditions for accessing credit remained stable for 3 out of 4 companies.

Qualification and selection of suppliers

SA8000 certification: the supplier monitoring plan

The supplier monitoring procedures were reviewed in 2013 in observance of the principles and requirements of the SA 8000 standard.

During 2014, activities were concluded for recovering the letter of intent signed by suppliers already qualified care of the Hera Group (100% of the total). During the year, 58 questionnaires for SA 8000 assessment were received from suppliers deemed as critical in terms of activities and contractual amounts, compared with 45 in 2013. The documents were examined and steps were taken to request clarification and additions for incomplete or missing parts.

8 SA 8000 audits were carried out directly care of the premises of suppliers and 4 audits were carried out directly at Hera Group worksites. The audits care of the premises of suppliers in 2014 were carried out by certified external personnel with references, so as to ensure a transparent and independent process adopted by the Group.

A specific training process was achieved in 2014, for more than 400 company contacts, who implement the daily monitoring of the suppliers: partly by means of the use of check lists appropriately reviewed and customised, observing the requirements of SA 8000.

Contract management

“Responsible” tenders

On a consistent basis with the standards expressed in the Group Code of Ethics and with the matters required by the SA8000 standard in relation to attention towards the work conditions in the supply chain, the Hera Group confirmed the series of measures already implemented in 2013 which aim to effectively implement social responsibility in tenders.

In detail, within the sphere of the public qualification system for the execution of the service for ancillary activities and mass replacement of gas, water, electricity and district heating meters, relating to the services provided by the Group for a value of Euro 5.5 million, in 2014 the **social protection clause** was introduced which envisages the obligation for the new supplier who is awarded a tender to make an employment offer for the operating staff employed by the supplier who has lost the tender. In this afore-mentioned tender, the following **limitation of the discount percentage clause** has also been envisaged: “the Customer deems that reductions of the tender base higher than 25% may present critical elements of sustainability and reductions higher than 30% may be difficult to accept.”

Furthermore, the **clause for the request for authorisation to use temporary manpower** has been established in the standard specifications for the work and services categories.

Supplier relations

Hera and its suppliers: first convention in 2014

The first convention organised by the Hera Group with its leading suppliers was held in December 2014.

The event, in which the Chairman and the Managing Director (CEO) participated, as an important occasion for discussion with the mutual purpose of growing together. The motto of the day was in fact “together for a common goal”, which Hera intends to make tangible and apply in its four strategies: innovation, efficiency, growth and excellence.

Data on the supplier selection and qualification activities, on the action for the monitoring of the services performed and on the initiatives envisaged for the future in this sphere and reported in these financial statements, were illustrated to the numerous suppliers invited (corresponding to 59% of the value of the 2014

supplies). During the convention, Hera's desire to structure a method for encouraging the generation by the suppliers of solutions for improving the quality and efficiency of the supplies within a win-win and therefore partnership logic, was also highlighted.

It is envisaged that a convention with the leading suppliers will be held each year, including this initiative among the stakeholder engagement activities of the Hera Group.

Methodological guide to the Report

A fundamental tool for management, reporting and dialogue

Drawing up this report

For the Hera Group, the Sustainability Report continues to be a primary tool for managing and reporting its activities and results in the economic, environmental and social fields, as well as a fundamental tool for providing information to and dialoguing with its stakeholders.

Since 2007, the Sustainability Report has been approved by the Board of Directors of Hera S.p.A. when the Financial Statements are approved and has been submitted to the Shareholders' Meeting: this aspect testifies to the role that this instrument has within the company's planning and control system.

The Sustainability Report is widely publicised. It is distributed during presentation meetings, through customer branches and the local press, to all employees and other categories of stakeholders, and through the web.

Hera's Sustainability Report provides the principles which guide our actions, **the performance achieved, the objectives reached** compared to stated and future objectives, **the results of our dialogue** with stakeholders and the **projects in the field**. Particular importance was accorded to case studies: projects of particular relevance that demonstrate the Group's commitment towards social responsibility and the results achieved. Some of the technical terms used are defined in the attached glossary.

Standards

The 2014 Sustainability Report was drawn up on the basis of the **AA1000 standard** which provides the **steps required** for preparing social and sustainability reports.

The report content matter was selected **in compliance with GRI and GBS guidelines**, and by taking into consideration the information **deemed useful for corporate stakeholders**. In this issue of the Report, for the second time running, guidelines GRI-G4 were used as reference together with the sector supplement dedicated to electric utilities (Electric Utilities Sector Disclosures). The Guidelines GRI-G4 mark a significant change in sustainability reporting since they place the aspects and topics considered "material" for stakeholders at the heart of the process.

On 8 June 2004, the Hera Group ratified its commitment to the aims of the Global Compact. In 2011, Hera's annual communication on progress achieved, represented by the Sustainability Report, was acknowledged as of an advanced level within the Differentiation Programme launched by Global Compact in February 2011.

Structure of the document

The first section of the report describes the company's identity, its mission, corporate strategies, sustainability policies, the key indicators for assessing economic, environmental and social sustainability, the dialogue with stakeholders and the corporate economic returns using the methodology based on value added allocated to stakeholders proposed by the GBS. The next sections provide an account of the results achieved for each class of stakeholder, given as performance ratings of a qualitative and quantitative nature and related to the objectives set forth in the previous report and achievement of these. In each section, the stakeholder listening, dialogue and involvement initiatives are indicated.

The objectives for the coming years for each class of stakeholder have been set in line with the company's strategic planning instruments; in certain cases, future

targets which the company has committed to have been specified with numeric indicators.

Reporting actions

The reporting actions of this Report comply with the AA1000 standard. An **internal procedure** was issued in January 2012 for the preparation of the Report, which describes the activities required for planning, achieving, approving, disclosing and presenting the report and the associated responsibilities. During 2015, the procedure will be updated in order to implement the new rules introduced by the new Guidelines GRI G4.

The social and environmental sustainability objectives set out were defined with reference to the planning and control instruments used by the Group: Business Plan 2014-2018, Budget 2015 and Balanced Scorecard 2015. These interconnected instruments contain **sustainability objectives which have an impact on stakeholders**. In particular, the Business Plan 2014-2018 includes further sustainability-related indicators for which **quantitative targets** have been defined. The final data collection actions required for the report entailed the distribution of forms providing the technical indications used to construct the indicators.

Definition of contents

Sustainability reporting is preceded annually by the identification and analysis of the most relevant topics for the stakeholders and for the company.

The process for defining the material topics is based on the analysis of internal and external documents which brings to light the stakeholders' outlook on the sustainability aspects related to the Company's activities. The purpose of the subsequent analysis phase is to select the most relevant aspects for the stakeholders, upon which the reporting and management activities will be focused.

In 2014, the following were specifically analysed: the results of the new tool set up by the Group for involving the local community - HeraLAB (Local Multistakeholder Boards); the press review and the Group's presence in social media; the annual customer satisfaction survey; and the biennial internal climate survey.

In 2013, Hera started a new model for involving the local areas and community called **HeraLAB**. HeraLABs (laboratories for local areas or Local Advisory Boards) have the task of proposing initiatives, also in cooperation with other parties, to involve stakeholders and improve the sustainability of the services offered in the local areas, while verifying their efficacy periodically. In the first meeting, the Lab identifies the topics of relevance for the local areas by using the method set out in HeraLAB's regulations. Initiatives are proposed on these topics during the next meetings in order to improve their related impacts. The topics that had a medium-high relevance assessment by the 5 labs carried out in 2014 (in which 58 stakeholder representatives took part) were: attention to users suffering economic difficulties, understanding of the bills, environmental education, separate waste collection and waste prevention, environmental education and energy efficiency. In the areas of Ferrara and Imola-Faenza, district heating (development and costs) was among the most important topics, whereas in Rimini, the Seawater Protection Plan (concerning the reorganisation of the city's sewage-purification system) and the waste management system were included.

Regarding the **press review** analysis, the presence of Hera was analysed on leading local and national newspapers by highlighting the topics that showed the greatest critical issues in more than one area (overall visibility index above 1,500 points). The press review analysis also took into account the critical issues of the Padova and Trieste areas, although the topics identified are below the materiality threshold defined. Regarding the study of **blogs and social networks**, the posts published on forums, blogs and social networks were analysed, in this case by

highlighting those considered more critical (weighted visibility index above 10,000 points). The topics identified were: environmental impact of new plants, cost of waste management services and application of the water leak fund.

The annual customer satisfaction survey assesses the quality of services offered and customers' satisfaction with Hera. The survey also highlights the topics that are of particular importance in determining customers' overall satisfaction. These topics are: gas service safety, the reliability of the electricity distribution service, service costs, the quality of drinking water, waste management services and online services.

The biennial employee satisfaction survey draws attention, at Group level, to matters of major importance in determining employees' overall satisfaction. The analysis conducted in 2013 highlighted the following important topics: remuneration, internal communication and professional development.

In 2014, with a view to improving communication towards its stakeholders, the Group further improved its reporting process by providing an additional communication channel. The 2014 Sustainability Report will include:

- an on line version in Italian and English with all the information, following the previous years.
- a printed version and an in-depth online navigable version that will contain all necessary contents and details, also in keeping with what has been done so far
- a summary version in Italian and english will also be available that will contain the sustainability highlights
- an on line data center with all the numbers and figures about Group sustainability performances in the last ten years.

The following table summarises the aspects regarded as material topics by the analysis, i.e. those of greater relevance both for the Group and its stakeholders. At local level material topics relate to Piano di Salvaguardia Balneazione in Rimini, District heating in Ferrara and Imola, and Servola purifier in Trieste.

These aspects are reported in the Sustainability Report and in all its forms, together with other topics that despite not passing the high-relevance threshold, are considered important in respect of the relationships held with various company stakeholders.

Topics raised in the 2014 materiality analysis

Stakeholders	Aspect
Customers	Attention to users suffering economic difficulties
	Energy efficiency
	Understanding of bills
	Safety and reliability of gas and electricity services
	Service cost
	Online services
	Water leak fund and its application
Workforce	Quality of tap water
	Salaries and incentives
	Internal communication
The environment and future generations	Professional development
	Environmental impact of systems (new and existing)
	Separate waste collection and waste prevention
	Quality of waste collection service
	Environmental education

SA8000 reporting

This Report is the **tool for external communication and for stakeholder engagement support** set out in the SA8000 standard. Hera S.p.A. and two subsidiaries are SA8000 certified.

Scope of the report

The scope of this Report includes all the companies in the Hera Group, consolidated using the line-by-line method in the Group's consolidated financial statements. Compared to 2013, the scope of reporting also includes the Amga Group companies that merged into Hera in July 2014 and Fucino Gas.

Furthermore, the companies in which the Group holds investments, Calenia Energia (parent company holding of 15%) and SET (parent company holding of 39%) that manage two electricity power stations, and Enomondo (parent company holding of 38%) that manages a biomass plant, were also considered with regard to the aspects involving atmospheric emissions, energy production and waste disposal.

In certain cases, the findings do not tally fully with the report, in terms of scope of reporting, as indicated by the notes accompanying the single tables. The reasons for this may be ascribed to the lack of certain items, to the fact that certain items are not sufficiently significant, or to the fact that the pertaining data cannot be collected by applying the same management and recording procedures.

Companies included in the scope of reporting

Hera S.p.A.						
Market Department	General Operations Department	Innovation Department	Central Business Development Department and Companies in which investments are held	Herambiente S.p.A.	AcegasAmga S.p.A.	Marche Multiservizi S.p.A.
<ul style="list-style-type: none"> • Hera Comm S.r.l. - Hera Comm Marche S.r.l. - Sinergia S.p.A. - Hera Energie S.r.l. • Amga Energia e Servizi S.r.l. • Amga calore e Impianti S.r.l. • Fucino Gas S.r.l. • Hera Trading S.r.l. • Medea S.p.A. 	<ul style="list-style-type: none"> • Uniflotte S.r.l. 	<ul style="list-style-type: none"> • Acantho S.p.A. 	<ul style="list-style-type: none"> • Esil Scarl • Hera Energie Rinnovabili S.p.A. • Hera Luce S.r.l. 	<ul style="list-style-type: none"> • Akron S.p.A. • Asa S.c.p.a. • Consorzio Akhea • Feronia S.r.l. • Frullo Energia Ambiente S.r.l. • Romagna Compost S.r.l. • Sviluppo Ambiente Toscana S.r.l. • Herambiente Servizi industriali S.r.l. • Herambiente recuperi S.r.l. 	<ul style="list-style-type: none"> • AcegasAmga Service S.r.l. • Black Sea Technology Company* • Black Sea Gas Company Ltd* • Insigna S.r.l.* • Rila Gas AD* • SiGas d.o.o.* • Sinergie S.p.A. • Trieste onoranze e trasporti funebri S.r.l.* • Tri-Generazione S.r.l.* 	<ul style="list-style-type: none"> • MMS Ecologica S.r.l. • Naturambiente S.r.l.

*As far as economic aspects are concerned

The Management Review Committee and the work group

This report was drawn up by the Corporate Social Responsibility Department of Hera S.p.A., with the participation of numerous contacts, both in terms of data collection and for the descriptions and comments. The preparation and supervision of the work, as well as the approval of the improvement objectives and of the document to be submitted to the Board of Directors was carried out by the Management Review Committee, composed of 20 Group directors.

Management Review Committee: Tomaso Tommasi di Vignano, Stefano Venier, Roberto Barilli, Luca Moroni, Salvatore Molè, Mila Fabbri, Cristian Fabbri, Giancarlo Campri, Angelo Bruschi, Giuseppe Gagliano, Marcello Guerrini, Stefano Soldi, Massimo Vai, Claudio Galli, Mauro Tivoli, Roberto Gasparetto, Franco Fogacci, Alessandro Baroncini, Tiziano Mazzoni and Susanna Zucchelli.

Corporate Social Responsibility Department - Sustainability Reporting: Filippo Bocchi, Nicola Astolfi, Benny Buoizzi, Claudia Calabrese, Giuseppe Milici and Gianluca Principato and Michela Ronci.

Thanks to all the 111 persons involved in the preparation of the 2014 Sustainability Report.

Assurance

This Report was audited by an external company, which certified its compliance with the **GRI-G4** (Sustainability Reporting Guidelines, Electric Utilities Sector Disclosures) and **GBS guidelines**.

The corporate quality management system, certified in compliance with the ISO 9001:2008 standard, envisages a procedure relating to the preparation of the Sustainability Report and collection of quality KPIs on a regular basis.

In terms of the two options of application identified by the GRI-G4 guidelines, this Report adopt the **Comprehensive** option, which corresponds to complete application of the guideline requirements.

Annexes

Level of fulfilment of commercial quality standards according to service (chapter I Customers).

Compliance with gas distribution quality standards (final customers)

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Estimates for simple work	15	93.7%	95.5%	96.2%	7,175
Execution of simple work	10/15	88.9%	93.1%	95.4%	5,002
Estimates for complex work	40	94.9%	98.3%	98.7%	226
Supply activation	10/15	99.7%	99.5%	99.5%	60,414
Supply deactivation	5/7	97.5%	98.0%	98.4%	45,215
Reactivation after late payment	2	99.2%	99.1%	99.3%	18,776
Reactivation in the event of disconnection due to potential danger	2	96.6%	99.4%	99.8%	2,106
Punctuality bracket for agreed appointments	2 hours	99.8%	99.8%	99.8%	114,606
Punctuality bracket for postponed appointments	2 hours	99.8%	99.7%	99.8%	20,065
Submission of metering unit control results to the vendor	10	100.0%	98.6%	24.1%	452
Non-availability of reading data	**	99.8%	99.5%	99.8%	1,759,009
Total		99.7%	99.4%	99.7%	2,033,046

** By type of customer in accordance with article 14, paragraph 14.1, of the TIVG (Consolidated Law on the Retail Sale of Gas).

Compliance with gas distribution quality standards (sales companies)

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Provision of technical data obtained through readings, requested by vendor	10	73.4%	94.5%	97.4%	387
Provision of other technical data requested by the vendor	15	89.3%	93.1%	96.1%	1,738
Total		87.8%	93.2%	97.1%	2,125

Compliance with electricity distribution quality standards (final customers)

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Supply estimate	20/40	99.2%	92.0%	90.8%	2,719
Execution of simple work	15/30	98.9%	97.5%	98.4%	1,718
Supply activation	5	97.8%	96.4%	95.6%	16,584
Supply deactivation	5/7	98.6%	98.8%	99.3%	13,620
Control of metering unit	15	82.3%	86.7%	48.5%	97
Voltage control	30	16.7%	30.4%	30.8%	13
Supply reactivation following suspension due to late payment	1	97.3%	98.9%	98.6%	8,787

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Punctuality bracket for agreed appointments	2 hours	99.3%	97.2%	99.4%	5,972
Punctuality bracket for postponed appointments	2 hours	99.4%	96.6%	99.5%	2,070
Supply recovery following metering unit malfunction	3/4 hours	99.2%	95.1%	82.4%	972
Estimates for works on LT network , temporary connection	10	-	-	66.4%	214
Execution of simple work for temporary connection (up to 20 metres from plants)	5	-	-	98.4%	449
Execution of simple work for temporary connection (over 20 metres from plants)	10	-	-	100.0%	6
Substitution of damaged metering system	15	-	-	100,0%	30
Ripristino valore corretto tensione di fornitura	50	-	-	80,0%	5
Total		98.4%	97.4%	97.0%	53,256

Compliance with specific electricity distribution quality standards (sales company)

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Provision of technical data obtained through readings, requested by vendor	10	87.5%	92.6%	93.3%	105
Provision of other technical data requested by the vendor	15	96.2%	96.6%	83.0%	630
Total		95.8%	96.3%	84.5%	735

Compliance with specific gas and electricity sale quality standards

%	Standard (calendar days)	2012	2013	2014	Number of services provided (2014)
Response to claims	40	98.1%	98.1%	98.2%	17,176
Billing adjustments	90	98.6%	99.5%	99.7%	1,011
Double billing adjustments	20	89.7%	87.8%	93.7%	426
Total		98.2%	97.9%	98.2%	18,738

Data relating to Hera Comm.

Compliance with specific water service quality standards

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Estimates for execution of simple work (water system)	15	95.5%	96.2%	97.1%	4,632
Estimates for execution of simple work (sewer system)	15-40	95.4%	97.4%	97.6%	452
Estimates for execution of complex work (water system)	30-40	98.0%	99.0%	99.4%	537
Estimates for execution of	30-40	98.1%	86.4%	90.9%	66

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
complex work (sewer system)					
Execution of water connection for interventions related to simple work	15	96.0%	97.5%	97.5%	3,219
Execution of sewer connection for interventions related to simple work	30-40	96.1%	98.5%	99.0%	415
Service supply activation and transfer	7-10	99.7%	99.8%	99.7%	26,229
Service supply termination	5	98.3%	98.1%	98.5%	22,436
Supply reactivation following suspension due to late payment	2	99.9%	99.9%	99.8%	6,107
Punctuality bracket for appointments agreed with the user	2-3 hours	99.9%	99.9%	100.0%	50,760
Punctuality bracket for appointments postponed with the user	2-3 hours	99.9%	99.8%	99.9%	8,724
Billing adjustments	45-90	100.0%	100.0%	100.0%	915
Response to claims	20-40	99.6%	99.4%	98.9%	6,341
Total		99.2%	99.3%	99.4%	130,833

The Service Chartes applicable to Padova, Pesaro and Trieste provide compensation payable upon request from each customer, and therefore they are not indicated in the table above.

Compliance with specific district heating quality standards

%	Standard (working days)	2012	2013	2014	Number of services provided (2014)
Estimates for execution of simple work	15	-	100%	66.7%	3
Estimates for execution of complex work	80	97.4%	100%	100%	6
Supply activation	10	99.5%	99.3%	99.4%	310
Supply deactivation at the customer's request	5	100.0%	96.9%	97.7%	217
Supply reactivation following suspension due to late payment	2	99.2%	100%	97.8%	89
Punctuality bracket for personalised and non-personalised appointments	2 hours	100.0%	100%	100%	575
Control of correct consumption metering	30	100.0%	100%	100%	5
Submission of results regarding the control of correct consumption metering	20	100.0%	100%	100%	2
Total		99.7%	99.3%	99.2%	1,207

Data relating to Hera S.p.A.

Compliance with general standards set forth in the Consolidated Regulations on the Quality of the Electricity and Natural Gas Sales Service

%	AEEGSI (Italian Authority for Electricity and Natural Gas) general standard	2012	2013	2014
Minimum percentage of replies to written requests for information sent within the maximum time limit of 30 calendar days	95%	98%	98%	98%
Minimum percentage of motivated replies to written requests for billing corrections within the maximum time limit of 40 calendar days	95%	97%	96%	98%

Data relating to Hera Comm.

Detail of the information present in the Environment and future generations chapter according to plant.

Net electricity produced in the Group's plants

MWh	2012	2013	2014
Coriano - Rimini	73,468	79,204	77,999
Frullo Granarolo - Bologna (Frullo Energia Ambiente)	139,830	138,472	129,965
Canal Bianco, Ferrara	49,129	51,614	62,649
Grigioni Forlì	56,295	57,906	61,218
Strada Romea km 2.6 Ravenna	29,011	30,226	21,794
Comparto Area 2 Cavazza Modena	113,116	119,163	127,708
Special Waste Ravenna	11,277	14,604	13,221
Padova	-	117,838	105,504
Trieste	-	100,146	105,454
Pozzilli - Isernia	-	98,183	92,302
<i>Total waste-to-energy plants</i>	<i>472,127</i>	<i>807,355</i>	<i>797,813</i>
Galliera landfill - Bologna	13,756	13,939	12,825
S. Agata Bolognese landfill - Bologna (Nuova Geovis)	8,797	8,538	6,536
Marche Multiservizi landfills	17,659	17,257	17,999
Third-party plants at Hera landfills	48,145	44,469	33,185
Digestion of livestock waste and wastewater, Spilamberto - Modena	33	0	0
Anaerobic digestion, Cesena (Romagna Compost)	6,801	6,989	6,879
Anaerobic digestion, Cà Baldacci Rimini	57	5,064	6,817
Anaerobic digestion, Voltana di Lugo - Ravenna	199	5,491	7,465
Bologna treatment plant	3,642	1,744	4,949
Forlì treatment plant	818	653	539
Savignano sul Rubicone treatment plant - Forlì-Cesena	1,052	0	566
Cesena treatment plant	1,315	1,027	886
<i>Total biogas from landfills, anaerobic digestion and treatment plants</i>	<i>102,273</i>	<i>105,171</i>	<i>98,646</i>
Faenza - Ravenna (Enomondo)	38,765	71,260	69,727
<i>Total biomass plant</i>	<i>38,765</i>	<i>71,260</i>	<i>69,727</i>
Bologna Freight Village 1 (Hera Energie Rinnovabili)	243	200	225
Bologna Freight Village 2 (Hera Energie Rinnovabili)	1,208	1,171	1,159
Bologna Freight Village 3 (Hera Energie Rinnovabili)	1,160	1,094	1,085
Bologna Freight Village 4 (Hera Energie Rinnovabili)	1,190	1,156	1,159
Petriolo - Macerata (Hera Energie Rinnovabili)	1,410	1,311	1,282
Alfianello - Brescia (Hera Energie Rinnovabili)	1,186	1,205	1,163
Copparo - Ferrara (Hera Energie Rinnovabili)	1,328	1,241	1,215
Ghirlandina Solare - Modena (Hera Energie Rinnovabili)		1,202	1,161
Faenza - Ravenna (Hera Energie Rinnovabili)	1,394	1,338	1,343
Mordano - Bologna (Akron)	232	219	220
Voltana di Lugo - Ravenna (Akron)	356	330	340
Voltana di Lugo - Ravenna (Herambiente)		301	297
Pozzilli - Isernia (Herambiente)		337	618
Ravenna Site	111	85	122
AcegasApsAmga Photovoltaic		90	87

MWh	2012	2013	2014
Photovoltaic with peak capacity below 50 kW	111	85	52
<i>Total photovoltaic</i>	9,929	11,365	11,529
Cavaticcio Bologna	0	0	1,644
Para 1 Verghereto - Forlì-Cesena (Hera Energie Rinnovabili)	197	252	160
<i>Total hydroelectric</i>	197	252	1,803
Casalegno Imola - Bologna	332,372	276,889	175,897
Castelbolognese - Ravenna	514	503	743
Ecocity Casalecchio di Reno - Bologna	8,508	7,924	7,777
Fossolo Bologna	592	460	244
Acer Barca Bologna	10,660	19,080	9,005
Bologna Site	17,169	19,255	19,422
Monterenzio - Bologna	160	328	308
S. Biagio Casalecchio di Reno - Bologna	1,333	900	1,089
Ippodromo Cesena	3,688	3,388	2,804
Bufalini Cesena	6,560	6,205	11,624
Aranova Ferrara	268	204	0
Giardino Modena	16,550	15,123	12,915
3rd PEEP Modena	3,674	4,314	4,597
Molino Rosso Imola - Bologna	396	392	140
Padova		2,077	2,013
Cogeneration in service	115,115	137,820	142,265
<i>Total Cogeneration</i>	517,559	494,862	390,843
Bologna	2,640	2,845	2,248
Forlì	1,785	2,633	1,367
Ravenna	2,677	2,860	2,145
Padova		2,219	4,330
<i>TOTAL turboexpanders</i>	7,101	10,558	10,090
Total	1,147,952	1,500,817	1,383,776

Thermal energy produced in the Group's plants

MWh	2012	2013	2014
Bologna (Frullo Energia Ambiente)	46,233	51,288	45,207
Ferrara	77,583	82,257	61,252
Forlì	10,008	8,918	8,995
<i>Total waste-to-energy plants</i>	133,824	142,463	115,454
Faenza - Ravenna (Enomondo)	35,855	98,276	100,822
<i>Total biomass plant</i>	35,855	98,276	100,822
Ferrara geothermics	68,564	71,415	78,527
<i>Total geothermics</i>	68,564	71,415	78,527
Bologna treatment plant	1,600	1,307	4,266
<i>Total wastewater purification biogas</i>	1,600	1,307	4,266
Casalegno Imola - Bologna	103,946	101,028	71,204
Castelbolognese - Ravenna	654	466	761
Ecocity Casalecchio di Reno - Bologna	8,431	8,197	7,759
Fossolo Bologna	900	643	338
Acer Barca Bologna	16,197	19,773	10,899
Bologna Site	9,410	10,591	10,290
Monterenzio - Bologna	191	486	361
S. Biagio Casalecchio di Reno - Bologna	1,448	1,036	1,460
Ipermercato Fiera Forlì	0	-	-
Ippodromo Cesena	4,524	4,008	3,431
Bufalini Cesena	8,964	7,992	13,576
Aranova Ferrara	244	171	-
Giardino Modena	14,003	12,875	12,096
3rd PEEP Modena	3,030	4,200	4,694
Molino Rosso Imola - Bologna	492	563	216
Padova	-	7,899	6,697
Cogeneration in service	111,324	131,145	142,463
<i>Total cogeneration</i>	283,758	311,074	284,785

MWh	2012	2013	2014
Thermoelectric power stations Bologna	118,377	104,905	91,788
Thermoelectric power stations Ferrara	43,769	29,038	9,844
Thermoelectric power stations Forlì-Cesena	35,882	28,159	32,840
Thermoelectric power stations Imola-Faenza	22,817	25,924	36,410
Thermoelectric power stations Modena	19,096	21,445	16,593
Thermoelectric power stations Padova	-	20,553	4,201
Thermoelectric power stations Ravenna	4,434	3,939	3,569
Thermoelectric power stations Udine	-	-	4,561
<i>Total thermoelectric power stations</i>	<i>244,375</i>	<i>233,963</i>	<i>199,806</i>
Total	767,976	843,275	791,167

Cogeneration plants for district heating

Plant	Location	Nominal installed electric power (MW)	Net electricity produced in 2014 (MWh)	Thermal energy produced in 2014 (MWh)
Casalegno	Imola (Bologna)	84.5	175,897	71,204
Cogen Barca	Bologna	6.3	9,005	10,899
Site	Bologna	4.8	19,422	10,290
Ecocity	Casalecchio di Reno (Bologna)	4.0	7,777	7,759
Quartiere Giardino	Modena	3.6	12,915	12,096
Fossolo	Bologna	2.1	244	338
Bufalini	Cesena	1.9	11,624	13,576
Ippodromo	Cesena	1.7	2,804	3,431
3rd PEEP	Modena	1.1	4,597	4,694
5 other minor plants	Bologna and Ferrara	2.8	2,281	2,798
Total		113.0	246,565	137,085

Cogeneration plants managed in service

Plant	Location	Nominal installed electric power (MW)	Net electricity produced in 2014 (MWh)	Thermal energy produced in 2014 (MWh)	RISP - Primary energy saving (MWh)	PES - Primary energy saving (%)
Safta	Piacenza	7.3	28,937	15,864	16.236	17,8%
Ceramiche CCV	Castelvetro (Modena)	4.3	29,581	70,542	49.865	27,3%
Orogel	Cesena	4.0	21,727	9,663	9.845	17,9%
Cerindustries	Castelbolognese (Ravenna)	3.6	15,776	9,525	11.544	20,8%
Granarolo	Granarolo (Bologna)	2.4	10,328	9,884	4.866	16,5%
Magama	S.Zaccaria (Ravenna)	2.0	10,472	7,525	6.097	15,7%
Covalpa	Celano (L'Aquila)	1.6	8,191	5,879	4.521	15,2%
Centroplast	Meldola (Forlì-Cesena)	1.2	5,005	2,711	2.080	15,2%
Villani	Modena	1.0	4,037	3,050	2.182	15,0%
Cafar	Gatteo (Forlì-Cesena)	0.8	5,089	2,883	591	17,7%
Fox Bompani	Ostellato (Ferrara)	0.7	1,245	589	16.236	17,8%
Aldini	Bologna	0.6			-	-
Palazzo Pepoli	Bologna	0.4	0	0	-	-
Le fonti di Matilde	Reggio Emilia	0.2	0	0	-	-
Filomarket	Imola (Bologna)	0.2	0	0	654	19,9%
Terme di Riolo	Riolo Terme (Ravenna)	0.1	602	990	-	-
Santa Cristina (Hera Energie)	Bologna	0.1			-	-
Province of Modena (Hera Energie)	Modena	0.3	818	2,212	-	-
Trade Fair centre (Sinergia)	Forlì	0.3	231	583	-	-
Logistics centre (Sinergia)	Forlì	0.6	227	563	-	-
Total		31.7	142,266	142,463		

Average annual concentrations at the main plants (2014)

mg/l	Body of water receiving the purified wastewater	COD (limit: 125 mg/l)	BOD5 (limit: 25 mg/l)	TSS (limit: 35 mg/l)	Ammonia nitrogen (limit: 15 mg/l)	Volumes treated (thousands of m ³)
Bologna IDAR	Navile canal	30.7	6.8	10.1	2.2	43,800
Anzola (Bologna)	Scolo Sanguinettola Bassa or Scolo Lavinello	24.4	5.8	9.3	0.9	1,370
Calderara (Bologna)	Scolo Dosolo	30.1	5.3	7.7	0.6	1,143
Ozzano (Bologna)	Rio Marzano	23.5	5.6	9.7	3.0	541
S. Giovanni (Bologna)	River Reno and San Giovanni Canal	24.7	6.7	12.5	1.9	212
Ferrara Gramicia	Po di Volano	29.8	5.3	11.5	0.5	19,760
Cesena	Rio Granarolo	18.7	5.0	3.4	0.9	7,177
Cesenatico (Forlì-Cesena)	Scolo Madonnina	67.6	8.3	17.4	1.0	4,609
Forlì	Scolo Cerchia	24.5	5.8	8.4	0.7	16,734
Savignano (Forlì-Cesena)	River Rubicone	31.3	5.5	11.7	3.1	6,532
Faenza Formellino (Ravenna)	River Lamone	35.4	5.3	10.1	0.6	5,166
Imola Santerno (Bologna)	River Santerno	30.3	6.4	48.5	0.9	8,419
Modena	Naviglio Canal	18.0	5.9	9.9	0.5	37,525
Ravenna	Cupa and Scolo Fagiolo Consortium canal	29.1	6.2	11.6	1.0	14,866
Alfonsine (Ravenna)	Scolo Sabbioni	18.8	6.6	8.0	5.1	1,905
Bagnacavallo (Ravenna)	Scolo Cappuccine	25.5	7.4	11.4	0.8	1,212
Cervia (Ravenna)	Cupa Consortium canal	25.4	5.8	9.8	6.4	6,004
Lido di Classe (Ravenna)	Pergami Canal	34.7	10.8	18.0	2.6	1,009
Lugo (Ravenna)	Scolo Arginello	27.6	7.7	8.7	6.1	7,534
Marina di Ravenna (Ravenna)	Scolo Piombone	29.5	5.8	10.7	0.5	1,300
Russi (Ravenna)	Scolo Pisinello	21.4	7.2	9.3	3.6	1,430
Rimini Marecchiese	River Marecchia	21.3	5.0	6.8	3.5	16,473
Rimini S. Giustina	River Marecchia	25.5	5.3	10.0	1.4	15,627
Riccione (Rimini)	Rio Marano	36.7	5.8	10.2	1.6	6,262
Cattolica (Rimini)	Torrente Ventina	23.5	5.0	8.4	2.3	7,749
Bellaria Igea Marina (Rimini)	River Uso	20.1	5.0	6.5	1.1	2,886
Pesaro Borgheria (Pesaro Urbino)	River Foglia	20.0	5.0	9.0	0.1	6,829
Ca' Nordio (Padova)	Roncajette Canal	8.4	5.0	3.5	0.3	20,961
Guizza (Padova)	Scolo Amolari	8.0	5.0	3.0	3.6	1,307
Abano Terme	Scolo Rialto	14.0	6.0	2.0	0.8	2,628

(Padova)						
Codevigo (Padova)	River Brenta	18.6	8.0	9.5	1.4	4,714
Zaule (Trieste)	Gulf of Trieste	30.3	7.6	20.2	0.3	11,810
Servola (Trieste)	Gulf of Trieste	72.3	21.6	45.0	15.3	33,766
Total volume treated						331,857

The volume treated in the 32 plants indicated in the table equates to 77% of the total wastewater treated. Bologna's plant limits are different from the regulation: ammoniac nitrogen 25 mg/l; BOD5 40 mg/l; COD 160 mg/l; TSS 80 mg/l. For the Imola plant, where there is a final lagoon, the TSS limit is 150 mg/l.

Concentrations of atmospheric emissions from waste-to-energy plants (2014)

mg/Nm ³	Legal limit Leg. Decree 133/2005	Bologna (lines 1 and 2)	Faenza	Ferrara (lines 2 and 3)	Forlì (line 3)	Modena (line 4)	Ravenna (WDF)	Ravenna (special waste integrated platform)	Rimini (line 4)	Pozzilli (Isernia)	Padova (lines 1 and 2)	Trieste (lines 1, 2 and 3)
Particulates	10	0.8	1.9	0.1	0.2	1.1	0.3	0.2	0.3	0.5	0.6	1.5
Hydrochloric acid	10	0.0	3.0	0.5	2.6	2.6	0.8	0.1	1.8	5.5	1.0	1.6
Nitric oxide	200	98.0	49.6	44.2	37.6	61.8	135.8	76.0	72.2	153.2	66.2	145.9
Sulphur oxides	50	0.3	0.1	0.5	1.1	0.8	0.6	7.4	1.6	7.9	0.7	1.1
Carbon monoxide	50	11.8	10.7	6.0	3.5	8.0	6.4	2.6	5.7	3.4	5.7	15.9
Hydrofluoric acid	1	0.0	0.0	0.1	0.1	0.1	0.2	0.1	0.1	-	0.0	0.1
Total Organic Carbon	10	1.8	0.0	0.7	0.8	1.2	0.9	0.2	0.7	0.1	0.6	0.7
Total metals	0.5	0.003	0.060	0.008	0.019	0.016	0.043	0.005	0.012	0.064	0.014	0.012
Aromatic polycyclic hydrocarbons	0.01	0.00000	0.00058	0.00001	0.00001	0.00001	0.00000	0.0000	0.00000	0.00037	0.00006	0.00004
Dioxins and furans (ng _{FTE} /Nm ³)	0.1	0.00096	0.01730	0.00000	0.00028	0.00140	0.01550	0.00072	0.00074	0.01167	0.00084	0.00387
Cadmium and Thallium	0.05	0.00043	0.00160	0.00042	0.00062	0.00058	0.00070	0.00023	0.00054	0.00541	0.00103	0.00094
Mercury	0.05	0.0002	0.0044	0.0007	0.0005	0.0014	0.0009	0.0018	0.0027	0.0078	0.0002	0.0008

The legal limits refer to Italian Leg. Decree no. 133/2005. For dust, hydrochloric acid, nitric oxides, sulphur oxides, carbon monoxide, hydrofluoric acid, and total organic carbon, the values correspond to the average values measured in continuation and the limits correspond to daily averages. For all other components, the values correspond to the average of periodic measurements and the limits refer to each individual measurement. In the new lines at Ferrara, Forlì, Rimini and Modena mercury levels are continuously measured.

Urban and special waste disposal by plant

thousands of t	ISO 14001	EMAS	2012	2013	2014
Coriano - Rimini	x	x	126.8	139.8	138.4
Frullo Granarolo - Bologna (Frullo Energia Ambiente)	x	x	197.1	199.1	216.9
Canal Bianco, Ferrara	x	x	129.9	129.9	129.9
Grigioni Forlì	x	x	120.0	120.0	119.9
Strada Romea km 2.6 Ravenna	x	x	44.9	47.8	50.5
Comparto Area 2 Cavazza Modena	x	x	177.8	190.8	202.9
Special Waste Ravenna	x	x	35.4	38.3	38.3
Faenza - Ravenna (Enomondo)	x		97.6	95.7	63.8
Pozzilli - Isernia (Energonut)	x	x	25.5	93.0	93.5
Padova waste-to-energy plant	x	x		186.7	183.5
Trieste waste-to-energy plant	x			169.5	165.0
Total waste-to-energy plants and biomass plants			955.0	1,410.6	1,402.6
Busca - Forlì-Cesena	x	x	31.7	0.0	0.0
Strada Romea km 2.6 (1C) Ravenna	x	x	161.0	98.0	131.1

thousands of t	ISO 14001	EMAS	2012	2013	2014
Lugo - Ravenna	x	x	55.7	114.7	52.8
Galliera - Bologna	x	x	60.0	52.9	0.0
Tremonti Imola - Bologna	x	x	214.5	243.4	246.1
Il Pago Firenzuola - Florence	x	x	98.4	79.1	76.3
Strada Romea km 2.6 formerly 2B super Ravenna (Sotris)	x	x	0.0	0.0	1.5
Strada Romea km 2.6, formerly 2B super TN Ravenna (Sotris)	x	x	61.7	92.6	86.2
Zocca - Modena	x	x	7.9	11.1	92.6
Castelmaggiore - Bologna (A.S.A.)	x	x	173.6	167.4	150.1
S. Agata Bolognese - Bologna (Nuova Geovis)	x		14.6	22.5	21.5
Finale Emilia - Modena (Feronia)			132.9	223.6	124.8
Civitella - Forlì-Cesena	x	x	3.9	0.0	0.0
Other plants				29.6	0
Tavullia, Montecalvo, Urbino - Pesaro-Urbino (Marche Multiservizi)	x		162.1	117.3	134.8
Third-party landfills			41.4	1.7	19.4
<i>Total landfills</i>			1,219.4	1,252.2	1,137.2
Coriano - Rimini (Akron)	x	x	88.2	93.3	90.3
Modena (Akron)	x		59.4	82.8	89.0
Mordano - Bologna (Akron)	x	x	37.6	49.1	39.9
Lugo-Cotignola - Ravenna (Akron)	x	x	79.5	85.9	73.2
Ferrara (Akron)	x		55.2	65.5	68.2
Bologna (Akron)			-	-	34.3
Other external plants			0.5	1.5	1.7
Tavullia (Marche Multiservizi)			-	-	49.1
<i>Total selection plants</i>			320.4	378.1	445.7
Busca anaerobic digester - Forlì-Cesena (Romagna Compost)			47.1	47.5	43.8
S. Agata Bolognese - Bologna (Nuova Geovis)	x		63.3	65.0	63.2
Stabilisation plant S. Agata Bol.se - Bologna (Nuova Geovis)	x		48.5	49.1	15.9
Ozzano - Bologna (Nuova Geovis)	x		27.9	27.5	27.2
Voltana di Lugo - Ravenna	x	x	53.4	55.3	71.4
Cà Baldacci Rimini	x	x	22.3	49.7	63.1
Ostellato - Ferrara	x		28.7	20.5	29.1
Stabilisation plant Ostellato - Ferrara	x		72.1	74.3	74.3
WDF stabilisation plant - Ravenna	x		22.8	21.5	19.8
Anaerobic digester Spilamberto - Modena			9.2	0.0	00
Tremonti Imola stabilisation plant - Bologna (Akron)	x	x	50.9	69.2	66.2
Faenza - Ravenna (Enomondo)	x		28.8	28.1	0.0
Stabilisation plant (Marche Multiservizi)	x		10.7	20.1	3.2
<i>Total composting and stabilisation plants</i>			485.9	527.8	477.2
Forlì chemical phys. plant	x	x	6.4	1.8	0.0
Ravenna chemical phys. biological plant	x	x	114.1	174.1	187.0
Disidrat Ravenna sludge treatment plant	X	x	102.7	120.2	145.0
Z.I. chemical-physical plant Ravenna	X	x	272.6	417.4	487.2
Lugo chemical-physical-biological plant - Ravenna	x	x	65.2	119.8	118.8
ITFI stabilisation and chemical phys. plant Bologna	x	x	103.1	140.4	131.8
Ravenna stabilisation plant (Sotris)	x	x	12.2	14.0	9.2
Chemical-physical plant (with special waste platform) Ferrara	x	x	4.9	0.0	0.0
Area 2 Cavazza chemical physical plant Modena	x	x	66.0	100.6	96.4
Area 3 chemical physical plant Modena	x		0.0	0.0	0.0
Leachate treatment plant Forlì-Cesena (Romagna Compost)			5.1	6.1	5.4
Experimental sludge treatment plant SOTRIS			1.7	0.0	1.5
<i>Total stabilisation and chemical phys. plants</i>			754.0	1,094.3	1,182.3
WDF production Ravenna	x	x	1.5	0.0	0.0
Bologna separation	x	x	0.0	0.0	0.0
Forlì separation	x	x	0.0	0.0	0.0
Ostellato separation - Ferrara	x		0.0	0.0	0.0
<i>Total separation plants</i>			0.6	0.0	0.0
Treatment plants			365.4	592.7	530.9
Third-party plants			755.4	1,031.0	1,249.0
<i>Total third-party / Other plants</i>			1,120.9	1,623.7	1,779.9

thousands of t	ISO 14001	EMAS	2012	2013	2014
Total			4,856.2	6,286.8	6.425,8

Detail of investments financed with the Green Bond

Type of measure	Measure	Investment 2006-2013 (thousands of euro)	Investment 2014 (thousands of euro)
Increase in energy generated from non-fossil sources	Bologna Freight Village photovoltaic plant	11,416	
Increase in energy generated from non-fossil sources	Photovoltaic Alfianello (Brescia)	943	
Increase in energy generated from non-fossil sources	Photovoltaic Copparo (Ferrara)	956	
Increase in energy generated from non-fossil sources	Photovoltaic Faenza (Ravenna)	835	
Increase in energy generated from non-fossil sources	Photovoltaic Petriolo (Macerata)	764	
Increase in energy generated from non-fossil sources	Landfill biogas plants	4,931	
Increase in energy generated from non-fossil sources	Cesena anaerobic digester (Romagna Compost)	9,956	508
Increase in energy generated from non-fossil sources	Lugo anaerobic digester (Ravenna)	12,204	29
Increase in energy generated from non-fossil sources	Rimini anaerobic digester	11,239	85
Increase in energy efficiency	Imola cogeneration plant	91,041	1,589
Increase in energy efficiency	Development district heating networks - Ferrara Area	18,969	
Increase in energy efficiency	Development district heating networks - Forlì-Cesena Area	24,021	
Increase in energy efficiency	Development district heating networks - Imola-Faenza Area	33,487	
Increase in energy efficiency	Development district heating networks - Modena Area	9,314	
Increase in energy efficiency	Development district heating networks		6,672
Increase in energy efficiency	Development industrial cogeneration		2,516
Improvement waste treatment plants	WTE Ferrara	42,885	
Improvement waste treatment plants	WTE Forlì	39,122	
Improvement waste treatment plants	WTE Modena fourth line	46,753	
Improvement waste treatment plants	WTE Rimini	44,410	
Improvement purification plants	Bologna plant	5,224	
Improvement purification plants	Lugo plant (Ravenna)	4,451	
Improvement purification plants	Forlì plant	7,176	
Improvement purification plants	Rimini Seawater Protection Plan	1,500	3,199
Increase separate waste collection	Development separate waste collection services		4,673

Type of measure	Measure	Investment 2006-2013 (thousands of euro)	Investment 2014 (thousands of euro)
Total		421,600	19,272

Glossary

Inhabitant equivalent

The concept of inhabitant equivalent was introduced to enable the comparison of various types of sewage (urban, household, industrial) in terms of organic pollution. Using conversion factors, an estimation is made of how many inhabitants would be required to produce (with normal domestic sewage) the same amount of pollution. Generally, one inhabitant equivalent corresponds to 60g of BOD₅ per day.

Authority for Electricity and Natural Gas (AEEGSI)

Formally independent authority established by Law 481/1995 which has the goal of promoting the development of competitive markets in the electricity and natural gas sectors, mainly through the regulation of rates, access to the networks, the functioning of the market and the protection of end users. In 2012 the AEEGSI was assigned with functions in the area of the quality, rates and costs of integrated water services.

Water and Waste Regulatory Authorities (ATO)

In accordance with Law no. 36/1994, the ATO water and waste regulatory authorities define the local level of organisation of the integrated water services in order to overcome the fragmentation of management and to reach suitable sizes for the areas managed.

Ammonia nitrogen

The term ammonia nitrogen (NH₄) refers to the concentration of ammonia ions in water. It provides an index of biodegradation of nitrogenous organic substances. It is expressed in mg/l.

Biogas

Term used to refer to a mixture of types of gas (mainly methane) produced by natural bacterial fermentation (in anaerobic conditions, i.e. in the absence of oxygen) of organic residues from waste.

BOD

The term BOD (biochemical oxygen demand) is used to define the amount of oxygen consumed during a specific time period (5 days for BOD₅), at a given temperature, to biodegrade the organic matter present in the water via bacterial action (uptake of oxygen by micro-organisms). High biochemical oxygen demand indicates intense biodegradation of organic matter, and may highlight the presence of organic pollution. It is therefore an indirect measure of pollution levels. Its value is expressed in mg/l.

Bonds

Stock loan issued by a company. These are long-term loans: investors are guaranteed the right to annual interest payments at a fixed rate, with return of the capital on a set date.

Services Charter

The Services Charter is the document that any entity that supplies a public service uses to outline its performance standards, declaring its goals and recognising specific rights to the public/users/consumers, and therefore to pledge to respect specific levels of quality and quantity, with the intention of monitoring and improving its supply and management methods. It was established by law 273/95, which stated that all suppliers of public services must adopt their own Services Charters on the basis of the general guidelines issued for specific sectors.

CCGT

A Combined Cycle Gas Turbine is an electricity generation plant that functions thanks to the combined presence of a gas turbine and a steam turbine. CCGT technology is one of the most advanced available today and guarantees elevated performances and greater environmental compatibility.

Green certificates (GC)

GCs offer incentives for the production of electricity from renewable sources. As established by law 244/07, GCs are issued by the Energy Services Manager (ESM) and regard the production of electricity from renewable sources the previous year or the expected production levels during the current year or the following year. They represent 1 MWh of electricity. In 2012, all producers or importers must introduce into the grid a 7.55% quota of electricity produced from plants fuelled by renewable sources: this quota gradually falls as of 2013, dropping to zero by 2015. It is also possible to meet this obligation by purchasing GCs from other entities.

CIPE

Interministerial Committee for Economic Planning, responsible for laying down the framework for economic and financial policies.

COD

The term COD (chemical oxygen demand) refers to the amount of oxygen required for the complete oxidation of organic and inorganic compounds present in a water sample. Thus, this is an index for measuring the degree of pollution, mainly organic, in the water from substances which can be oxidised. It is expressed in mg/l.

Code of Ethics

Document setting forth a number of principles and specifying conduct, commitments and ethical responsibilities to be put into practice by members of the Board of Directors, staff and collaborators of the company.

The Code may be described as a “Constitutional Charter” of a company, a charter of moral rights and duties that establishes the ethical and social responsibilities of all those who work within the organisation.

Cogeneration

Simultaneous production of electricity and thermal energy (in the form of steam).

Composting

Aerobic treatment (in the presence of oxygen) of biodegradable organic waste, whose final product is compost, a soil improver, which can be used in vegetable cultivation.

Social cooperatives

Cooperatives regulated by Law no. 381 of 8 November 1991. This law breaks these cooperatives down into two types:

- type A = cooperatives providing social, health and educational services;
- type B = cooperatives operational within the production and labour sectors which have, among their members, a level of at least 30% who are differently-abled or otherwise face hardship.

Corporate governance

The processes, policies, habitual practices, laws and institutions which influence the manner in which a company is managed and controlled. Corporate Governance also covers the relations between the various players involved (stakeholders, those who have a vested interest of any type in the company).

Warning

A warning is a deed issued by the Public Administration and/or supervisory bodies in cases where, in exercising their inspection and control activities, they detect existing or possible future deviations from regulations and provisions of national and regional law: the warning sets a term by which breaches must be eliminated.

Dispatching (electricity sector)

Activities aimed at providing instructions for the use and the coordinated operation of production plants, the transmission grid and auxiliary services (Bersani Decree).

Dispatching (gas sector)

Activities aimed at providing instructions for the use and the coordinated operation of extraction and storage plants, the transport and distribution network and auxiliary services (Letta Decree).

EMAS

EU Regulation no. 761/2001 which provides for the adoption by business concerns of environmental management systems based on policies, programmes, procedures and objectives aimed at improving the environment, and the publication of an Environmental Statement, to be validated by the Ecoaudit Committee.

Primary energy

Primary energy is the energy potential presented by energy carriers in their natural form, for example oil, natural gas, coal, natural uranium, water and other renewable energy sources. In the majority of the cases, the primary energy must be transformed into secondary energy in electricity power stations, refineries, etc.

Focus group

A surveying technique based on discussions between members of a group of persons. The main aim is to conduct an in-depth study of a specific issue in relation to given targets. Interaction between focus group members provides the basis for the surveying action.

Ethical funds

This term is used to describe mutual investment funds whose choice of shares, bonds and government securities is inspired by ethical selection criteria. These parameters are defined as exclusion/inclusion.

Renewable energy sources

Renewable energy sources are: wind, solar, geothermal, wave motion, tidal, hydraulic, biomass, landfill gas, treatment process gas and biogas. Biomass means the biodegradable part of products, waste and residues generated by farming (including vegetable and animal substances), forestry and associated industries, as well as the biodegradable part of industrial and urban waste.

Greenhouse gas

These gases are transparent with respect to solar radiation, and prevent the dispersion of heat from the Earth, thus leading to the overheating of the atmosphere. Over and above greenhouse gases of natural origin, the main greenhouse gases produced by mankind are carbon dioxide, methane, chlorofluorocarbons and nitric oxides.

Geothermics

The science dedicated to problems relating to the internal energy of the Earth and to the practical applications of this energy source.

IAFR

IAFR ("Plant Fuelled by Renewable Energies") qualification is a prerequisite for obtaining some of the most important incentives for the production of electricity from renewable sources (issuing of Green Certificates and access to the Feed-In Tariff). The Energy Services Manager has the task of qualifying production plants fuelled by renewable sources once possession of the necessary requisites has been verified. IAFR qualification can be attained both by plants that are already operational and plants that are at the planning stage at the time of the request.

KPI

Key Performance Indicators are specific indicators selected on the basis of corporate information needs. They are used to carry out corporate monitoring. KPIs may be financial, production-oriented, commercial, environmental or social in nature, or may regard multiple aspects.

Mobility management

Refers to an internal corporate department in charge of managing staff commuting.

Nm³

Normal cubic metre, volume of gas at 0°C and 0.1 Mpa.

OHSAS 18001: 2007

The OHSAS 18001 (Occupational Health & Safety Assessment Series) standard is an internationally recognised benchmark for the certification of workplace health and safety management systems.

Nitric oxides

Nitric oxides (mainly NO and NO₂), gases produced by the combustion of fossil materials. Nitric oxides contribute to the formation of ozone in the lower atmosphere and acid rain.

PCB (polychlorinated biphenyls)

Highly toxic organic compounds used in a wide range of applications e.g. as fluids for capacitors and transformers. When managing and disposing of them careful attention must be paid to ensure they are not released into the environment, in accordance with laws in force.

Leachate

Substance deriving from the filtration of water and other liquid mixtures through waste.

PM₁₀

Particulate matter, or dust, of a diameter of less than 10 microns from various sources (natural or generated by mankind). PM10 includes a variety of solid or liquid particles of differing characteristics. Given their smallness, they tend to remain suspended in the air.

Heat pump

This is a device capable of transferring heat from a body at a lower temperature to a body at a higher temperature, using electricity.

Waste

Legislative Decree no. 22/1997 defines waste as “any substance or object which the holder disposes of or has decided or is required to dispose of”. This decree classified waste based on its origin, as urban or industrial, and, according to the level of dangerousness, as hazardous or non-hazardous.

SA8000

International certification standard regarding respect for human rights, respect for workers' rights, safeguards against exploitation of minors, and guarantees with respect to workplace health and safety conditions.

TSS

The term TSS (total suspended solids), which are the cause of the turbidity of liquids, means the total amount of suspended solids and filterable solids. This represents the total amount of substances present in the sample following drying, at 105°C. Its value is expressed in mg/l.

Stakeholders

Stakeholders are persons with vested interests. They may or may not belong to the company of which they are a stakeholder, and they may have a bearing on the decisions, conduct or success of a company.

Subsidence

Sinking of the soil caused by the lowering of the underground water table, in turn caused by withdrawal of groundwater at a faster rate than the natural recharging time.

Sustainable development

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland Report, World Commission for Economic Development, 1987).

District Heating

Transfer over distances of heat from thermoelectric power stations, cogeneration plants or waste-to-energy plants through an energy vector (hot water, superheated water, steam).

Toe

Tonnes of oil equivalent. Conventional unit of measurement of sources of energy equivalent to 10,000 Mcal (= the energy obtained from combustion of a tonne of oil).

Waste-to-energy plants

Plants using waste as a fuel to produce heat or energy.

Turboexpander

Machine that transforms energy of a given kind (e.g. potential energy) into mechanical energy, made available for use via a rotating axis. The resulting energy may in turn be used for the production of other energy (e.g. by coupling an alternator to the turbine to enable the alternator to exploit the mechanical energy to produce electricity).

UNI EN ISO 9001:2008

International technical standard for the certification of quality management systems. **UNI EN ISO 14001: 2004**

International technical standard for the certification of environmental management systems.