

HERA



2015 Sustainability report



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A year of sustainability

Letter to stakeholders

Our 2015 Sustainability Report... a value for us and for our stakeholders

Once again in this Report, our economic, social and environmental sustainability results are highly positive, within an evolutionary perspective of shared value.

Completely renewed last year, it reflects our commitment to make our objectives and results accessible to stakeholders every year, in full transparency and with the aim of building the trust we need.

We have written it again this year keeping in mind the people who will read it and we have further developed its communication structure, in a search for constant improvement just like our way of doing business. And with the aim of meeting the knowledge expectations of all our stakeholders.

Our business strategy embraces sustainability: this is our approach

Our business plan is divided into four strategic lines - growth, excellence, efficiency and innovation. Sustainability, in its various spheres, is cross-cutting through the four lines and has been a key priority for the Group ever since its establishment. Its integration in our business activities is implemented through:

- strong attention to systems of values, at the basis of our activities, which was the topic in 2015 of a training course delivered to AcegasApsAmga employees and which we are about to update, as we do every three years, with involvement of the workforce;
- continuous improvement of the Group's accountability profile, as witnessed by the report and by the vertical theme reports which explain in detail what we do and how we do it with regard to particularly sensitive issues (further expanded and improved in 2015);
- a balanced scorecard system associated with a bonus system involving all management and in which sustainability objectives account averagely for 20% of variable remuneration in 2015;
- strengthening of the governance system and management of business risks, according to a renewed integrated system for enterprise risk management, managed with a view to maintaining operations and to ensuring safety.

Our priorities are service quality and staying close to customers, which we do by listening to them

We listen to our customers so that we can improve: the survey carried out in 2015 on the quality of the services provided by the Group (around 5,300 interviews) reported a high satisfaction index (70/100), on the rise compared to the previous year. The results will be used to define improvement actions as well as those that are being identified within the Customer Experience project, which was set up in 2015 with the aim of improving customers' experience in their relations with Hera. Many objectives and commitments towards customers are already illustrated in this Report.

Safety at work and internal climate: further progresses and new commitments for the future

Thanks to the awareness raising programmes and adoption of OHSAS 18001 certification involving 89% of the Group's workforce, in 2015 the accident frequency index further dropped to 20.6 (compared to 22.6 in 2014). We have set ourselves a new objective: -3% in 2016.

The sixth internal climate survey (which we have carried out every two years since 2005) recorded an employee satisfaction index of 63/100, in line with the set objective and up by two points compared to the previous survey. A new corporate welfare plan will be the goal for 2016.

Responsible tenders always among our commitments: sustainability extends to the supply chain

We are aware that suppliers are our partners and have a key role for the sustainability of our business. This is why we privilege the most economically advantageous bid method, which was used in 2015 for all public tenders and overall for 2/3 of the value of the awards (the average score for social and environmental aspects was 24/100). Suppliers with certified management systems further increased in 2015 and our attention to safety at work extended to suppliers (those involved in monitoring activities are 79% of the value of the provision of services and work). Our aim is to continue along the road we have embarked on and develop further opportunities for comparison in order to generate win-win solutions.

The global scenario poses new sustainability challenges and the Hera Group is one of its key players

2015 witnessed a series of important events which represent the cornerstones of sustainability for the next decades. The agreement reached in Paris within the context of the Cop 21, the Package of the European Commission regarding transition towards a circular economy, and the new 2030 Agenda for sustainable development signed by all UN member states are the new pieces of a scenario that emphasises the importance and urgency of acting to safeguard the future of the planet, where enterprises can and must play a part.

We are aware of this! The objectives and results that we are able to communicate with this report confirm our active role, even quite advanced on some aspects.

For example, the positive waste management results achieved in 2015 comply with and anticipate the path outlined by the European Commission until 2030 regarding recycling and transfer to landfills. In particular, this report highlights the use of landfills for the disposal of urban waste amounting to 8.6% in 2015 (already lower than the level set by Europe for 2030) and a further increase in separate waste collection reaching 55.4%, over an area comprising 3.3 million inhabitants, and achieving already in 2015 the packaging waste recycling objective set by the

European Commission for 2025. We have defined new objectives in both spheres and new initiatives.

Another example, with reference to the Paris agreement, regards the strong commitment that the Group has made to energy efficiency also through ISO 50001 certification for six Group companies. We have set ourselves some important objectives: reducing our energy consumption by 3% within 2017 and, more than ever before, being partners for our customers with a view to reducing their energy consumption. For this reason, at the start of 2015, we created a new company, Hera Servizi Energia: our wish is to grow in this sector and place our know-how at the disposal of citizens and enterprises, more extensively than we have done up to now.

Our awareness of the role we play in corporate and environmental sustainability across the areas in which we operate prompted us (already in 2004) to join Global Compact, an initiative of the United Nations which encourages companies across the globe to implement sustainability policies and disseminate the results of their actions.

Attention to the local area and to communities... with a view to "shared value" and a new report

This report witnesses Hera's key role in the development of the area in which it operates, which resulted in 2015 in the distribution of wealth to the local area totalling 1.6 billion Euro, 526 million of which through local supplies which led to the employment of over 5,600 persons.

These results are complemented by those deriving from responsible management both with regard to local public services and free market activities, and by many innovative initiatives, detailed in this report, which confirm our strong attention to the community and its sustainable development.

This strategic context for our Group and important part of our mission will be reported in a new document which we will have the pleasure of presenting to you over the next few months.

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 four million citizens in 358 municipalities

The Hera Group is one of the major multi-utility companies in Italy: it offers the sustainable management of several services to 4.4 million citizens in 358 municipalities spread over 5 Italian regions (Emilia Romagna, Veneto, Friuli Venezia Giulia, Marche and Tuscany), where 4.4 million citizens live.

Hera provides energy (distribution and sale of gas and electricity), water (water systems, sewage and treatment) and waste management (collection and disposal) services to citizens and enterprises.

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

- the balance of its services, comprised of services managed according to free market criteria (sale of gas and electricity, and disposal of special waste) and regulated services (gas and electricity distribution, integrated water services, collection and disposal of waste);
- strong roots in the areas in which it operates and deep focus on sustainability;
- a widespread shareholding structure with over 20 thousand shareholders.

In 2015, Hera completed two important corporate transactions in the waste treatment and recovery sector: Herambiente acquired 100% of shareholding of Waste Recycling Spa (a company based in Pisa specialised in the disposal of industrial waste) and acquired two landfills and a hazardous waste storage facility from Geo Nova spa (a company in the North-East area dealing with the treatment, recovery and disposal of urban and industrial waste).

Main awards in 2015

Hera's process of expansion is also marked by the awards received. Among the most recent awards, the main ones are:

- Top Employers 2016
- Top utility fourth edition (training and attention to human resources section)
- Top utility fourth edition (best utility for Marche Multiservizi)
- KWD Webranking, 4th place
- Strategic energy efficiency award from Cesef (Italian Centre of Economy and Management Studies for Energy Efficiency)
- Company to watch 2015 awarded by the Cerved Group (IT company that manages the databases of the Italian Chambers of Commerce) for the waste disposal facility management sector

Services provided

Hera's growth has developed with a strong focus on the aspects of sustainability with regard to regulated services (distribution of gas and electricity, water service and waste collection) and services managed according to free market criteria (hazardous

waste disposal, sale of gas and electricity). Development was balanced across the sectors, confirming that Hera is strongly rooted to the local area and that it places quality at the core of the services it manages.

New waste recovery facilities with the acquisition of Waste Recycling

At the end of 2015, Herambiente acquired 100% shareholding of Waste Recycling Spa and of the subsidiaries Neweco Srl and Rew Trasporti Srl.

Waste Recycling has worked in the special waste collection, storage, treatment and recovery sector in Pisa for over 20 years. The two main facilities managed are a selection plant for non-hazardous waste and a chemical-physical-biological plant for hazardous and non-hazardous liquid waste. The company also manages further three waste treatment plants. Waste Recycling's figures are considerable: in 2015 it treated around 331 thousand tons of special waste, 223 thousand tons of which wastewater, with a turnover of around 34 million Euro, 75% of which in Tuscany. It has around 100 employees, over 5 thousand contracts and 2 thousand active customers. It also offers specific services to large groups belonging to the pharmaceutical, chemical and iron and steel industry, with commercial partnerships that allow greater coverage of services and ongoing business with customers. Waste Recycling's sustainability profile also includes ISO 9001, ISO 14001 and OHSAS 18001 certifications.

	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: 1.3 million Electricity: 0.9 million	Water: 1.4 million	
Municipalities served	Gas distribution: 264 Electricity distribution: 26 District heating: 16 Public lighting: 146	Water system: 237 Sewerage and purification: 239	Waste collection: 189
Residents served	3.6 million	3.6 million	3.3 million
Volumes	Gas sold: 3.4 billion cubic metres Electricity sold: 9.6 TWh	Water sold: 300.0 billion cubic metres	Waste collected: 2040.7 million tons Waste disposed of: 6225.7 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	808 thousand (93%)	850 thousand (98%)	696 thousand (80%)	850 thousand (98%)
Ferrara Area	Hera	198 thousand (56%)	252 thousand (71%)	133 thousand (38%)	302 thousand (85%)
Forlì-Cesena Area	Hera	327 thousand (83%)	396 thousand (100%)	396 thousand (100%)	396 thousand (100%)
Imola-Faenza Area	Hera	195 thousand (76%)	257 thousand (100%)	257 thousand (100%)	257 thousand (100%)

Local area	Company	Energy services	Water services	Waste Management Services	At least one service
Modena Area	Hera	475 thousand (68%)	467 thousand (67%)	495 thousand (71%)	499 thousand (71%)
Padua Area	AcegasApsAmga	327 thousand (35%)	301 thousand (32%)	266 thousand (28%)	417 thousand (44%)
Pesaro-Urbino Area	Marche Multiservizi	247 thousand (60%)	283 thousand (69%)	270 thousand (66%)	329 thousand (80%)
Ravenna Area	Hera	240 thousand (86%)	277 thousand (100%)	277 thousand (100%)	277 thousand (100%)
Rimini Area	Hera	35 thousand (10%)	334 thousand (100%)	317 thousand (95%)	334 thousand (100%)
Trieste Area	AcegasApsAmga	222 thousand (94%)	214 thousand (100%)	214 thousand (91%)	236 thousand (100%)
Udine, Gorizia and Pordenone Area	AcegasApsAmga	514 thousand (72%)	-	-	514 thousand (72%)
Hera Group		3.6 million (65%), 268 municipalities	3.6 million (76%), 239 municipalities	3.3 million (70%), 189 municipalities	4.4 million, 358 municipalities

Number of municipalities, residents and percentage of total residents in the province or the local area (as at 1 January 2015, source: Istat) in which Hera manages at least one energy service (distribution of gas, electricity or district heating), water service (water systems, sewage or treatment) and waste management service (separated or non-separated waste collection, or sweeping). The local area of Imola-Faenza includes three 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 Venice in which AcegasApsAmga manages water services. The area of Pesaro-Urbino includes six 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, thanks to Hera’s responsiveness to their needs, receive quality services that satisfy their expectations;
- 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;
- 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 Spa.

Sustainability for the Hera Group

Sustainability as a key element of company strategy

Hera's approach to sustainability

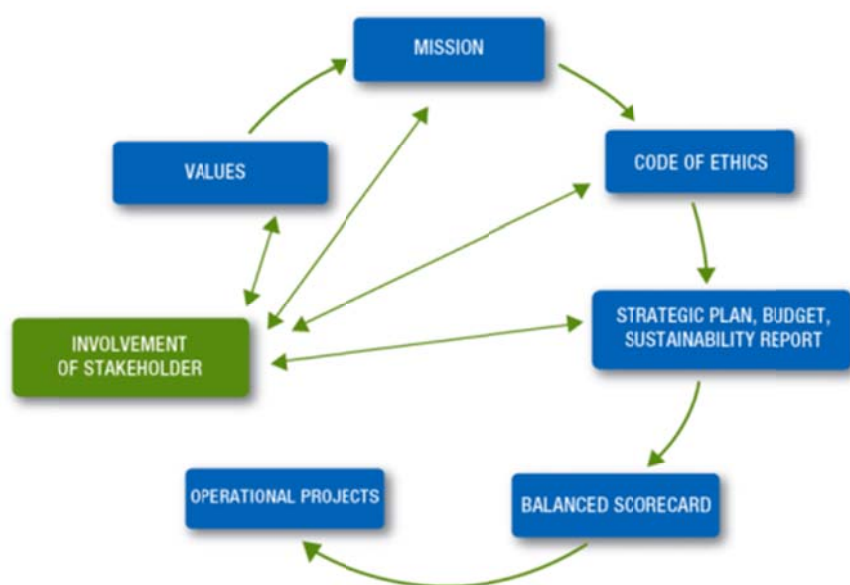
Sustainability has always played a key role in Hera's strategy ever since its establishment. The approach adopted by the Group is based on integrating sustainability in its planning and control systems and, therefore, in the management of its business activities. This aspect has been effectively implemented through a balanced scorecard system involving all the company management and with our constant commitment to stakeholder reporting, as confirmed by the sustainability report. The Report has been published 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, which is 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 represent the strategic and cultural focus with which to draw up the Business Plan every year and report the results to stakeholders transparently. Lastly, a balanced scorecard system makes it possible to translate the strategy into operational projects that are an integral part of the management bonus system.

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

A virtuous circle from strategy to daily management



Integrating sustainability in the Group strategy

The Hera Group's strategy has always been built on a balanced proportion between economic and financial targets and the general objectives of sustainability in all its facets. This balance is made possible and ensured by the strategic planning process, where the forecasts of development in terms of profitability of every economic activity area are promptly aligned with considerations on medium-long term sustainability.

Hera Group's business plan until 2019, in line and in continuity with the past, also confirms the strategic lines that until today have produced successful results for its various stakeholders. The Plan confirms Hera's usual commitment to ensure a growth path based on excellent use of its assets, attentive financial management and promptness in seizing the opportunities arising on the market and/or in its different business activities.

The strategy for the following years, therefore, will continue to be based on the multi-business model, which has confirmed to be highly successful over the years, also in consideration of the stagnating and recessive economic contexts. In fact, in

2019, the Group's activities will continue to be distributed in a balanced way between free market activities and regulated activities.

Internally, attention to gaining efficiency and synergy will be renewed and strengthened: the expected contribution amounts to over 90 million Euro compared to 2014-based values. Simplification, rationalisation and optimisation will be the key words to respond to an increasingly competitive external context both in terms of free market activities - where the pressure from competitors continues to rise - and of regulated activities: for the latter, service concessions will be assigned with a competitive procedure. Tenders awarding gas distribution services, for example, are expected to start already in 2016 and will cover the entire period of the business plan.

Regarding growth through external acquisitions, the Group has gained a solid experience and has already completed many successful integration operations. In so doing, Hera is a natural candidate as aggregator in a highly fragmented context such as the utility sector and in a period where it is the Government's clear intention to encourage greater concentration in the sector with the aim of increasing efficiency and reducing waste. As a consequence, the Business Plan includes possible aggregation with other sector businesses that have the same economic and financial parameters as Hera, so as to ensure the overall sustainability of the operations, from both a financial and industrial viewpoint.

Two key pillars for the Group's strategy are also confirmed: innovation and excellence. The former is essential for providing a basis for discussion in the services market, which is evermore faster and attentive to the opportunities created by new technologies. It is only by focusing constantly on innovating operational processes and commercial offers that the Group can guarantee greater value to citizens and customers, as well as higher quality of the services it delivers, thus contributing to respect the key role played by excellence.

The 2015-2019 business plan was drawn up according to previously defined guidelines and its aim was to achieve not only important economic and financial growth results in 2019 - such as EBITDA above 1 billion Euro or the debt-EBITDA ratio set at 2.9 times - but also more specific objectives related to environmental and social sustainability. These include the increase in separate urban waste collection rising to 65% in 2019, limited use of landfills for the disposal of waste (below 9%), the number of low environmental impact vehicles rising by 20% and provision of around 200 thousand training hours to employees.

[The new 2030 Agenda for sustainable development and Hera projects](#)

The new 2030 Agenda for sustainable development ratified at the UN summit in September 2015 by 193 countries includes 17 objectives regarding sustainable development, regarded as the continuation of the millennium development goals, already defined in 2000 by the United Nations. The partial achievement of these objectives has led to defining other more challenging and ambitious goals. The 17 millennium goals (which are divided into further 139 targets) particularly include: eradicating hunger, poverty and inequality; preserving the environment and combating climate change; ensuring education, training, health & safety, and gender equality. Innovation and sustainable consumption are also among the topics included.

Many of the projects set up by Hera comply with these goals; the table in the appendix highlights the parts of the report that give details about the topics included in the sustainable development goals.

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 is updated on the basis of the contents of the business plan: it provides a summary of the Group’s strategic objectives and its commitments to stakeholders set forth in the sustainability report.

During the 2015 budget process, 26 priority projects were defined to achieve the 30 strategic objectives for the purpose of increasing the company’s long-term value. The priority projects were assigned to members of the Management Review Committee.

All of the projects planned within the 2015 balanced scorecard system were assigned to a manager and included in the bonus system for Group managers and middle managers.

Each project identified:

- the process and result indicators with goals in line with the budget of the Group and 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 Spa 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:

- integration of the various perspectives for the evaluation of corporate performance, in addition to traditional economic and financial measurements;

- integration of business activities 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 are critical for achieving 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 7% electricity and thermal energy production from traditional renewable sources within 2019 and by increasing by 37% electricity and thermal energy production from renewable sources and similar sources.

Limiting the disposal of urban waste in landfills (<9% in 2019), developing separate waste collection (65% in 2019 at Group level for Hera Spa and Marche Multiservizi), with an 11% increase in separate waste collection per capita at Group level.

Progressing with initiatives of efficient energy consumption with regard to plants, facilities (reducing consumption by 3% within 2017 for Hera Spa) and vehicles (21.2% of vehicles with reduced environmental impact for the Hera Group in 2019), and containment of water network losses.

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 achieve new excellence standards in service quality and in 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: reaching 98.5% in 2019 for all services.

Guaranteeing to reach in 2019 average call centre waiting times of 40 seconds for residential customers and 30 seconds for business customers and average branch waiting times of 11 minutes, gradually aligning the new areas (and future M&A) to the Group's standards.

Guaranteeing gas service and electricity safety by maintaining a positive gap between Hera service levels and regulatory requirements (scheduled actions on overground parts to contain network leaks, optimisation of odorant management, installation of remote controlled switches/disconnectors).

Completing network modelling, especially with regard to the water system. Continuing the roll-out plan for the Group's electronic gas meters in accordance with the deadlines defined by Aeegsi.

- 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 2015-2019 period totalling around Euro 2.2 billion: over Euro 1.6 billion in the networks sector and around Euro 460 million in the waste management sector.

Regarding network investments, developing specific, innovative smart city sustainability projects (smart water grids, smart metering and new services to the community).

Enhancing waste management sustainability with regard to sewage and purification, also with the large Rimini and Trieste projects.

- 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 (reduction of accident index by a 3% yearly average between 2015 and 2019).

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

Maintaining a level of excellence when selecting suppliers and increasing the importance of supplies from certified suppliers that pay close attention to the prevention of occupational accidents (monitoring of trend in accidents by 70% of suppliers in terms of value commissioned).

- Dialogue with stakeholders and the local area

Strengthening stakeholder dialogue initiatives by ensuring transparent, timely and innovative 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.

Innovating sustainability reporting also through the development of theme-specific sustainability reports and the creation of new reports on topics of major interest to stakeholders.

- 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 plan, top-down 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 an ESI of 65 in 2019.

Defining and implementing an integrated Group welfare system.

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

Maintaining the excellence levels reached during the learning processes in order to support innovation (strengthening of Corporate University activities, 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”) and extending the training model to the areas of AcegasApsAmga and Marche Multiservizi.

In line with the Leadership Model, promoting the acquisition of managerial skills necessary to address an ever-evolving competitive context and to shape the methods used for implementing the Group’s strategy.

Continuing with the resource enhancement projects, creating a widespread culture aimed at developing a cooperative management model and increasing job rotation initiatives regarded as strategic resource development tool.

Giving continuity, in accordance with the new Development process, to the implementation of individual itineraries by clusters of employees and promoting “dialogue on performance”.

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

- **Alignment with the code of ethics principles**

Ensuring the constant diffusion of the company Charter of Values and Code of Ethics. Monitoring their compliance through the full implementation of the activation system defined by the Board of Directors. Providing for their verification and updating in 2016 at the end of the third three-year period of implementation.

- **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 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, energy and corporate responsibility policy

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 (with particular reference to ISA 9001, ISO 14001, OHSAS 18001 and ISO 50001).

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 guarantees coherence among the various instruments used for managing and achieving the Group strategy (business plan, sustainability report, management reporting, bonus system).

Sustainability KPIs

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Economic Responsibility											
Value added (in millions of Euro)	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	1,412.8
Total investments*** (in millions of Euro)	346.9	504.8	471.8	429.7	429.3	353.9	324.9	289.3	313.5	337.0	335.0
ROI	8.8%	8.6%	7.4%	8.9%	8.1%	8.5%	8.7%	8.2%	8.2%	8.7%	8.6%
EBITDA per open ended contract employee (thousands of Euro)	65.4	68.5	74.2	82.7	87.5	93.6	99.4	101.2	98.6	103.1	105.0
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%	171.7%
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%	96.9%
Training hours (average, per capita)	18.5	20.1	24.3*	33.2*	23.0*	23.0*	28.1*	27.5*	26.4	28.0	31.4
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%	99.3%
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	20.6
Internal climate index (score 0-100)	50	-	53*	-	58*	-	64*	-	61*	-	63
Index of customer satisfaction for residential customers (score 0-100)	67	67	65*	67*	69*	69*	70*	69*	70**	69*	70
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%	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%	97.6%
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**	38
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	11.9
Value of supplies from local suppliers (% of total)	-	-	-	66%*	68%*	64%*	65%*	65%*	64%**	66%	68%
Contracts awarded using the economically most advantageous bid (% of total)	-	-	-	-	36.0%*	44.6%*	53.0%*	70.2%*	76.1%**	76.5%**	66.5%
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	78,127
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%	34.8%
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%	70.2%
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%	14.9%
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%	43.7%
Intensity index of greenhouse gas emissions (kg/MWh)	-	-	-	-	-	-	628*	583*	549**	535**	594*
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	10.20	9.96	-
Separate waste collection	28.9%	31.2%	36.0%	42.0%	44.8%	47.8%	50.5%	51.9%	52.6%	54.0%	55.4%
Kilos of separate waste collection per capita	199	217	250	297	310	340	346	350	343	351	356
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%	20.1%
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%	13.3%	8.6%

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

*Excluding Marche Multiservizi **Excluding Marche Multiservizi and AcegasApsAmga. ***From 2013 including 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 has 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.

A new voting trust and share transfer rules agreement became effective on 1 July 2015. It was entered into by 118 local authorities holding shares on 26 June 2015. The agreement provides clauses on the method of forming the majority list and has a duration of three years. Another agreement between the Modena public shareholders became effective on 1 July 2015, with the aim of governing the presentation modalities of the candidates in the majority list proposed by the Modena public shareholders. Furthermore a consultation agreement was signed by five minority shareholding partners, providing for the appointment of the members of the Board of Directors.

According to the articles of association, the Board of Directors is to meet at least on a quarterly basis, or every time the Chairman deems it necessary or when requested by at least one third of its members or by the Board of Statutory Auditors. The articles of association also provide that the Board of Directors be endowed with broad and unrestricted powers for ordinary and extraordinary administration of the company. It is empowered to carry out all such actions as it deems necessary for and conducive to achieving the company purpose except for those expressly reserved to the Shareholders' Meeting by law or according to the articles of association.

The Board of Directors met ten times in 2015.

The current 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.

Among the 14 members of the Board of Directors of Hera Spa, six directors are aged between 30 and 50, while eight directors are over 50 years of age.

As set forth in the Code of Conduct of Borsa Italiana, the annual report on corporate governance sets out the requisites for the non-executive, independent directors of Hera Spa. The remuneration paid to Hera Spa directors is illustrated in the remuneration report.

Hera Spa 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 (2)		X	CONT, ET
	Riccardo Illy (1)		X	EXEC
	Luca Mandrioli (1)		X	REM
	Danilo Manfredi (1)		X	CONT
	Cesare Pillon (1)			REM
	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 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 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.

The Articles of Association establish that the members of the Board of Statutory Auditors are appointed 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. Members are appointed in compliance with the equal balance of gender required by current laws and regulations.

The Executive Committee

The Executive Committee has the duty to express to the Board of Directors an opinion prior to submission of the yearly definition of the Group's business plan and the proposed appointments of top level managers. Furthermore, it adopts resolutions concerning contracts and agreements related to the corporate purpose by specific amount brackets. It also resolves on consultancy relationships with outside professional experts and on the company's membership in organisations, associations and other bodies, as well as on the settlement of disputes and releases of creditor claims. Further acts subject to resolution by the Board of Statutory Auditors regard those that amend or terminate contracts for credit lines and loans; acts that launch tenders and/or the stipulation, amendment and termination of investment contracts; and lastly, 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 Committee was appointed by the Board of Directors on 28 April 2014, pursuant to art. 23.3 of the articles of association. The Executive Committee met four times in 2015.

The Remuneration Committee

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; it also puts forward proposals to define the general remuneration criteria for senior management and managers.

The Committee is made up of four non-executive independent directors: upon invitation by the Committee Chairman, the Managing Director and the Chairman of the Board of Directors may participate in its meetings. It was appointed by the Board of Directors on 28 April 2014 and met three times in 2015.

The Ethics Committee

The Ethics Committee 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. Appointed by the Board of Directors of Hera Spa on 28 April 2014, the Ethics Committee is composed of an independent director of Hera Spa (Committee Chairman), the Corporate Social Responsibility Director and an external member.

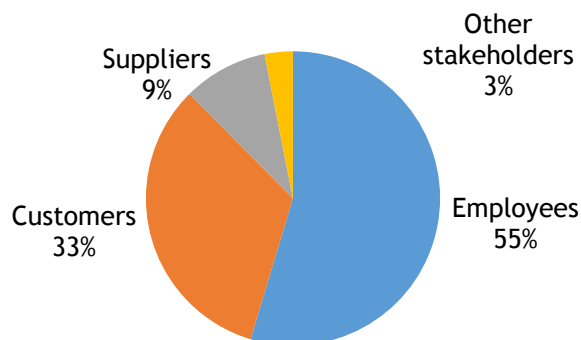
The Committee met eight times in 2015.

On 24 February 2016, the Ethics Committee submitted to the Hera Spa 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 2015.

Ethics Committee activity in 2015

In 2015, the Ethics Committee examined overall 22 reports, compared to 26 of the previous year. Nine reports were received from employees, 11 from customers, one from suppliers and one from a citizen. The Ethics Committee examined 160 reports: 55% were received from employees.

Reports by stakeholder 2008-2015



The nine reports from employees dropped sharply compared to the 19 reports in 2014: they mainly regarded interpersonal relationships, the time and manner of replies given to staff by managers, the delivery of disciplinary measures and unequal remuneration between colleagues following acquisitions/reorganisations. In five cases, in order to deal with the report, the Ethics Committee had to meet the person making the report. The Committee promoted solutions for seven reports by involving the structure of reference; in the remaining cases, it provided a reply clarifying the issues raised and its responsibilities.

Customer reports, which rose from six in 2014 to 11 in 2015, regarded invoicing errors, the commercial conduct of sales agencies, the time required to solve issues and reply to complaints; they also regarded requests for instalments, disconnection of supply and compensation for damages. Hera Comm and AcegasApsAmga were always involved in order to handle these reports. In four cases, detailed investigations with the structures of reference led to solving the customer's report; only one case resulted in a negative outcome. In the remaining cases, detailed investigations with the structures led to only one reply clarifying the company's position. Regarding the two reports submitted by a supplier and a citizen, the Committee's investigations led to determining that there had been no presumed violations to the code of ethics.

The Committee was also involved in organising three seminars for diffusing social responsibility, which involved over 60 managers.

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.

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 Control and Risks Committee's 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. 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 2015.

The Risk Committee

The Risk Committee, appointed by the Board of Directors on 28 April 2014, is composed of the Executive Chairman, Vice Chairman and Managing Director of Hera Spa, 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 Srl 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 Spa;
- guaranteeing six-monthly reporting to the Board of Directors;

- defining and ensuring the submission of information protocols to the Control and Risks 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.

The Risk Committee met 4 times in 2015.

Enterprise risk management

In the overall design of the risk management process, Hera has adopted the enterprise risk management best practice which 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 was established following approval in January 2016 of the Group's risk management policy by the Board of Directors. The policy defines the Group's orientation with regard to risk issues and identifies the risk management framework through:

- the risk model by identifying the scope of reference for the risk management analysis carried out by the Group;
- the Group's risk propensity which defines the acceptable risk level in compliance with the risk management strategy, by identifying key risk dimensions, key metrics and associated limits;
- risk management activities, divided into enterprise risk management (aimed at analysing the Group's overall risk profile and at drawing up a mitigation strategy and at monitoring its implementation) and ongoing risk management (which for specific risks requires continuous sector-based management procedures entrusted to special risk specialists/risk owners, based upon specifically developed processes and methods and formally defined within the risk policies of reference).

The risk management strategies approved by the Board of Directors through the Group's risk management policy are then put into effect by means of operational guidelines and specific analysis, monitoring and control activities by the Risk Committee.

Risk analysis for definition of the Audit Plan

The Risk Assessment process was brought to a close over the course of the year and ended with the approval of the Audit Plan for the 2016-2018 period. The risk factors and critical points were identified and weighed through assessment of the Group's business areas and of the infrastructure processes, providing details on the level of risk determined for each segment. Internal Audit activities are focused on the segments with the highest risk levels. The risk assessment and resulting audit plan was approved by the Board of Directors of Hera Spa. Regarding specific risks related to the topics included within the scope of Legislative Decree no. 231/2001, the Supervisory Body approved the 231 risk assessment for the 2016-2018 period and the related audit plan before the Board of Directors. The plan was drafted on the basis of

the risk assessments, coverage of new processes, regulatory developments and the extension of the scope of activities of the companies.

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 have adopted an organisation, management and control model (231 Model) to ensure conditions of correctness 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 “231 Model” includes 98.4% of Group employees. This includes Hera Spa, Acantho, Akron, AMGA Calore & Impianti, AMGA Energia & Servizi, ASA, Enomondo, Fea, Feronia, Hera Comm, Hera Luce, Hera Servizi Energia, Hera Trading, Herambiente, Herambiente Servizi Industriali, Hestambiente, Medea, Uniflotte and Waste Recycling. Furthermore, AcegasApsAmga, AcegasAps Service, EstEnergy, Singergie and Marche Multiservizi are provided with their own “231 Model”.

Following the mapping of sensitive company activities, at risk of the offences included in Italian Legislative Decree 231/2001, the Group companies defined specific protocols to be followed in carrying out certain 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 arose defined as significant as per the 231 Model.

In 2015, Hera Group’s organisation, management and control model pursuant to Italian Legislative Decree 231/2001 was updated. Furthermore, the following protocols were set up: Management of Donations and Gifts; Management of Sponsorships; Management of Relations with Integrated Water System Authorities; Management of Relations with Urban Waste Management Service Authorities; Conduct and Management of Activities for Environmental Protection Purposes; and, lastly, the new 231 Protocol regarding Management of Waste Intermediation and Trading Sales Services was updated.

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 231 Model, 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 managed from an Enterprise Risk Management perspective are related to the following risk areas based upon the Risk Model adopted by the Hera Group.

Internal risks

Nature: risks related to various types of risks - such as operational, organisational and ICT risks - are specifically related to the management of services which employ human, technological and environmental resources, and which can cause service interruptions, delays in the construction of new facilities or in the delivery of services, fraud, intrusions, accidents and disasters.

Activity areas: the risks belonging to this driver cut across the Group and regard a wide range of activities that are controlled and managed by specialist teams. The Group gives special focus to workplace safety, to compliance of plant and site operation with environmental legislation and to ICT risk control, 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, necessary to ensure adequate service levels to customers and operational safety to Hera's fluid and electricity distribution networks.

Management levers: approach structured on the basis of specific areas in which operational risks arise. In general, a significant role is played by prevention investments to reduce the frequency of adverse events and by mitigation actions to reduce their severity.

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 monitoring of potential pollution factors so as to ensure the transparency of measurements, and through major investments in purification and reclamation plants that guarantee water quality in all cases below the limits provided for by law. The waste collection system seeks 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. Environmental analysis of the sites has been improved to allow more effective data collection and determine the significance of environmental aspects in both normal and emergency conditions.

Risks associated with regulations on health and safety of workers: the risk related to accidents has seen a steady reduction in accident rates thanks to the initiatives aimed at better monitoring and improving the protection and prevention processes intended to continually reduce the frequency and the severity of accidents, as evidenced by the lower number of accidents, the frequency rate and the lower number of days of absence due to injury.

Risks associated with logical and physical security: The Group carries out constant monitoring of its IT security risk level, with targeted interventions to ensure the availability, integrity and confidentiality of information managed by the Group. In 2015, further measures were introduced to improve the level of security as regards

the control of logical access, as well as measures aimed at ensuring the integrity and availability of Hera systems, with significant value in terms of risk reduction. Significant investments were also made in the systems for monitoring and controlling access to the various plant sites and Group headquarters, to ensure adequate physical security standards and the reduction of risks arising from intrusions, such as possible damage and tampering with facilities.

Risks related to the interruption of services: many risk factors may influence the regular supply of energy and water due to damages to the network, water shortage or possible 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 safety, quality and that services are supplied constantly even in the presence of temporary interruptions on one or several distribution lines. Furthermore, growing attention to the physical safety of plant sites reduces the likelihood of damage to them.

To ensure business continuity in the ICT sector, the Disaster Recovery and Business Continuity project was completed. The aim of the project is to develop managed hosting services for technological infrastructures at a secondary site, by implementing the operational and organisational procedures necessary to ensure efficient and effective activation of the Disaster Recovery service, return to operational status and periodic tests.

Lastly, with regard to operational risks, Hera also transferred the risk externally through optimised use of insurance policies provided by leading international insurance companies. 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 particular, a project aimed at creating a system for measuring the level of risk inherent in major business sites which will assist in reducing risk (loss prevention and loss mitigation) was successfully completed in 2015. No critical situations were found in any of the sites analysed upon completion of the project.

Strategic risks

Nature: 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.

Activity areas: strategic risks involve the Hera 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.

Management levers: In 2015, Hera developed a structured model of strategic risk analysis designed to measure the soundness of its business plan. Many adverse risk scenarios were considered, contributing to an integrated view of risks with an enterprise-wide logic. The system allows the performance of scenario analysis, stress testing, and possible 'what if' events (macroeconomic scenario, competitive environment, internal levers and this also allowing the analysis of relevant internal and external risks), carried out by formulating deterministic and stochastic scenarios through an adequate analysis of risk factors and variables associated to them, and appropriate assessment of the riskiness of the different business sectors. This also allows the evaluation and preparation of alternative strategies aimed at mitigating the adverse effects identified.

External risks

These risks are related to all external drivers that may affect the achievement of the Group's objectives. They are especially related to financial and commodity risks and to regulatory risks resulting in interventions on the tariffs and on the market structure established by the Authorities and by the law, including changes in tax regulations, government incentives on renewable sources, sector-related laws, and climate/catastrophic events.

Given their complex structure, each risk will be examined individually.

Competitive-regulatory risks

Nature: risks related to regulatory interventions by sector authorities and the law (particularly on tariffs and market structure), to government incentives on renewable sources and sector-related laws, regulated businesses related to the concessions of local and national authorities, failure to obtain authorisations, permits and licences, as well as the impact expected from changes in the macroeconomic environment, the market structure and its liberalisation, the development in supply and demand in energy and environment sectors and possible impact on the group's business.

Activity areas: with regard to the macroeconomic and market scenario, risks mainly affect the Market Department, which is exposed due to its sale of electricity and gas to the competitive dynamics and to the development of demand, and Herambiente, which is exposed to the variability of the economic cycle. With regard to the regulatory component, competitive-regulatory risks affect network business (water, gas and electricity distribution) and market business (sale of electricity and gas). They occur during the creation or modification of economic, organisational and IT requirements which Hera must comply with, as well as during possible changes in the market structure caused by them.

Management levers

Liberalisation of the market: over the years, free-market business has become increasingly important in Hera Group's portfolio, significantly contributing today to the group's financial results and consequently reducing the importance of regulated business. 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. On the one hand it has innovated its commercial offer and improved the timeliness of its offers by increasing its presence and its customer base on the free market through cross-selling activities. On the other, it has gained an increasing proactive approach towards customer management and satisfied its expectations in terms of service quality, by completing the range of services offered to customers and strengthening loyalty. These activities have improved quality and post-sales management service costs for customers and at the same time have reduced new customer acquisition costs.

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

Changes in the legislative and regulatory framework and 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 waste collection, gas and electricity distribution, integrated water and public lighting services 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 weather and climate variability

Nature: risks related to the impact on the Group due to the variability in weather and climate conditions on the electricity and gas demand.

Activity areas: with regard to the meteorological component, risks mainly affect the Central Market Department, which is exposed due to its sale of electricity and gas to the variability of demand arising from the various meteorological scenarios.

Management levers: The Group is provided with demand forecasting tools that optimise the use of available sources, and with adequate flexibility in the supply sources of energy commodities. It is also highlighted that within the context of the long-term trend of climate change, the Hera Group is committed to contributing to its mitigation by complying with energy efficiency goals set by the law, by continuing to constantly improve production and by encouraging virtuous and responsible consumption by customers to reduce CO₂ emissions and, in general, to minimise environmental impact. In this regard, Hera has created a special Esco (Energy Service Company) which has among its objectives the development of initiatives for both business and domestic customers, aimed at promoting the use of efficient energy production with environmental benefits in terms of CO₂ reduction, and the use of efficient and energy-saving technologies designed to ensure optimal use of energy resources with significant advantages both for consumers and the environment.

Financial risks related to the energy market

Nature: risks relating to variations in the prices of energy, gas and other fuels.

Activity areas: the energy market risks are concentrated in the Central Market Direction where the buying and selling of electricity and gas determine risk positions arising from the volatility of energy commodity prices.

Management levers: processes have been set up allowing efficient management of procurement and hedging activities, with specific focus on skills. The approach

adopted by the Group involves a single interface for managing risk with regard to the market: Hera Trading, which provides hedging of the Group's risk positions through specific portfolios dedicated to fuel and electricity, allowing for unified management of risks in compliance with the policies assigned. The approach has many advantages, such as the achievement of higher hedging levels, optimisation of costs since resorting less to the market through the use of netting positions, greater structuring flexibility with regard to procurement and supply to customers. Even in 2015, the process proved to have adequate strength in terms of risk assessment and control, ensuring compliance with the limits assigned.

Financial risks related to the debt market

Nature: risks related to variations in interest rates, liquidity, credit spread and exchange rates.

Activity areas: The Group's financial management is centralised in the Administration, Finance and Control Department which meets the financing needs and cash management for the Group.

Management levers: structuring and implementation of processes for the control and optimal management of financial risks, which makes use of close monitoring of the Group's significant financial indicators and of ongoing presence on the reference markets. The best opportunities are seized in order to minimise the impact of interest rate volatility and ensure an efficient debt service through the optimisation of its structure. The procedures for complying with the requirements under Italian Law 262/2005 to ensure that the accounting documents are drafted in a trustworthy manner, are adequately structured and implemented.

Financial risks related to counterparties

Nature: risks relating to the counterparty's inability to fulfil the obligations undertaken, either in compliance with the economic conditions or in the execution of the contractual provisions (delivery of good/service).

Activity areas: the credit risk has an impact across the Group in the various areas where business is conducted: the sale of electricity, gas, heat, environmental recovery and disposal services, and telecommunications services.

Management levers: a structured origination process has been set up in Hera, which is used for specific procedures of credit risk management and allows adequate selection of counterparties through credit check and/or request for guarantees where appropriate. Positions with counterparties are monitored constantly and articulated actions are planned which provide proactive management; where appropriate, the Group resorts to external transfer of risk through the optimised use of credit assignment.

Managing sustainability

In order to ensure that social responsibility and sustainability are an integral part of corporate planning and management, in May 2005, the Board of Directors of Hera Spa set up a Corporate Social Responsibility organisation unit, reporting to the Managing Director, which has been a department since 2010. The Csr Department is in charge of defining and proposing corporate guidelines concerning corporate social responsibility; overseeing the balanced scorecard system; reporting on sustainability; proposing and managing social responsibility projects; delivering new local stakeholder engagement projects on sustainability. The Csr Department also 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 to coordinate, extend and integrate the policies and the social responsibility and sustainability actions of the parent company Hera Spa to all new local areas that have become part of the Group following corporate mergers.

The Code of Ethics

The code of ethics lays down the commitments and ethical responsibilities to be implemented by the managers, the workforce and collaborators of all Group companies for the achievement of corporate objectives. Hera's code of ethics provides 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. In doing so, conduct may be unequivocally conducive to meeting the needs of stakeholders and to consolidating a positive corporate reputation.

Starting from 2006, supplier qualification is subject to acceptance of the code of ethics: furthermore, the supply contracts drawn up by the Group include termination clauses linked to the failure of suppliers to comply with the principles of the code of ethics.

During 2014, all the Group's subsidiaries adopted the code of ethics approved by the Board of Directors of Hera Spa. The only exception was Marche Multiservizi that adopted its own code of ethics.

The SA8000 Quality, Safety, Environmental and Social Responsibility system

In the course of 2015, the Hera Group confirmed the effectiveness of its integrated management system. The certifications were maintained and consolidated.

Some of the main results achieved in 2015 are reported below:

- maintaining the integrated quality, safety and environmental management system certifications of Hera Spa and of almost all Group companies, including Herambiente, Herambiente Servizi Industriali, Hera Comm, Hera Luce, Hera Servizi Energia and Uniflotte. These results confirm that the logics and dynamics of the management system are now part of company life;
- confirming ISO 50001 certification for Hera Spa's energy management system obtained in 2014:

- starting the project to verify feasibility of certification for Hera Spa according to UNI CEI 11352 standard, designed for companies providing energy services (Esco): the aim is to obtain certification by the end of 2016;
- achieving certification for the occupational health and safety management system of Herambiente Servizi Industriali;
- maintaining SA8000 certification for Hera Spa and Hera Luce, with attestation of ethical and social conformity of the processes regarding the management of personnel and suppliers.

AcegasApsAmga confirmed its key objective of implementing, extending and enhancing its management system by using the appropriate instruments during this important period of change and integration that the company is going through. 2015 was marked by the maintenance of the quality, environment and safety systems (ISO 9001, ISO 14001 and OHSAS 18001) and by the structuring and certification of the energy management system according to the ISO 50001 standard.

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

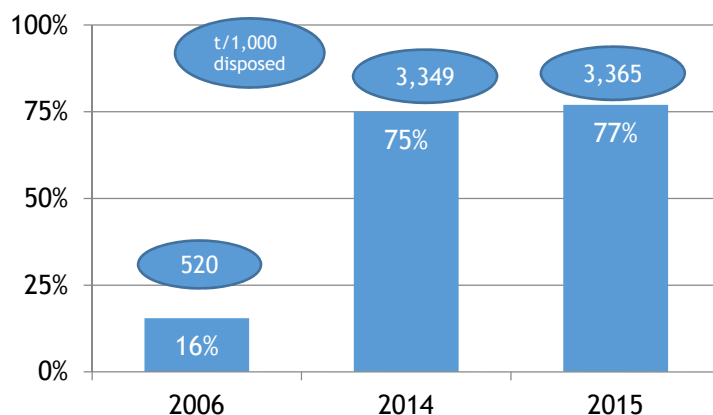
Quality management systems establish the requirements that are necessary in an organisation to improve corporate processes in order to increase the satisfaction of final customers, who receive the end benefits of Hera's services. The high diffusion of the Group's certified management systems is shown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

Certification	No. of companies	% of employees
ISO 9001	14	95%
ISO 14001	14	89%
OHSAS 18001	14	89%
Sa8000	3	53%
ISO 50001	6	76%

92% of the total waste disposed of in Group plants was disposed of in ISO 140001 certified disposal plants.

In 2015, 77% of the total waste disposed of in Group plants was disposed of in EMAS (45) certified disposal plants.

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)



Herambiente achieved its plant-related scope thanks to the Emas project, conceived in 2005 and immediately awarded with the European Emas award Italy. In the same year, the project had been considered one of the most interesting in the European scenario. The project had envisaged gradual implementation of Emas registration for the waste treatment sites managed by the company. Over time it had excluded smaller or no longer active sites (which were therefore not considered strategic for the company) from the registration process. Herambiente intends to maintain the results achieved in these years in terms of number of registrations for the company's main waste treatment plants.

The investigations still underway at the end of 2014 (new Disidrat sludge treatment plant and the new anaerobic digestion plants in Rimini) were concluded successfully, bringing the number of Emas registrations for Herambiente to 23 plant engineering sites, corresponding to over 45 waste treatment plants.

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

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 not be in agreement.

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.

From a survey of corporate stakeholders, a map of corporate stakeholders was defined and the following were identified for each category identified:

- composition and presence of objectives of particular interest;
- topics considered to be a priority;
- 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 Modena and the strengthening of those set up during the two year period 2013-2014, the internal climate survey and related improvement actions, and the customer satisfaction surveys are today integrated into the company's management; they are the normal analysis methods that identify areas for improvement.

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

Activities to raise awareness on the code of ethics continued in 2015, with three in-depth seminars.

In the sections of the report, the approach used and the results of the main dialogue and consultation initiatives carried out in 2015 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 	Stability, internal climate, training, career advancement, bonuses, remuneration, life/work balance, equal opportunities, safety, internal communication	<ul style="list-style-type: none"> - Biennial internal climate survey: the sixth survey was carried out in 2015, with 5,850 questionnaires filled in, equal to 71% of those sent. Eight centrally-managed improvement actions defined - 5,886 employees involved in the 21 meetings that the Chairman and Managing Director held between March and July in Hera Group's local areas - Training on code of ethics: two seminars on corporate social responsibility policies and the code of ethics in day-to-day management, and second edition of the internal convention (40 managers involved). Training on the code of ethics for 1,870 employees of AcegasApsAmga - Customer experience project: 70 Hera Comm employees involved to create innovative ideas addressing customers - Passaparola (Word of Mouth) project: over 100 top-down communication meetings in AcegasApsAmga, involving the entire workforce - SA8000: a direct communication channel between the department manager and the workers' representatives was again in place in 2015; around 80 employees were involved in SA8000 interviews. - Sustainability Report: 260 employees involved in the community to improve the 2015 Sustainability Report

Stakeholders	Main categories	Key issues	Key listening, dialogue and consultation initiatives
			<ul style="list-style-type: none"> - Community: three corporate communities set up on specific technical topics: new regulations, energy management and Customer Technical Department - Herasolidale: over 800 employees from Hera joined Herasolidale, the solidarity and support project for non-profit organisations in the local area: 9 non-profit organisations were chosen among the over 650 suggested by the workforce
Customers	<ul style="list-style-type: none"> - Residential customers - Citizens residing in the areas served - Business customers - Consumer groups and trade associations 	Service quality, tariffs, transparency, safety, service reliability, communication and information	<ul style="list-style-type: none"> - Annual residential customer satisfaction survey: 5,300 interviews to Group customers - Joint mediation procedures of Hera and AcegasApsAmga: 76 requests for mediation received from Hera and 14 from AcegasApsAmga in 2015 - 789 cases managed through the direct contact channel with consumers' associations - In 2015, nine meetings were held with the concerned associations, in the seven areas in which Hera operates. In the local areas of AcegasApsAmga, collaboration with consumer associations continued in 2015 - Over 6,900 customers involved, 2 thousand of which enterprises, in the Customer experience project aimed at improving relations with Hera Comm
Shareholders	<ul style="list-style-type: none"> - Public shareholders - Institutional investors - Private investors - Financial community - Ethical funds 	Dividends, share performance, investor relations, corporate governance aligned with best practices	<ul style="list-style-type: none"> - Investor relations activities: meetings with 200 investors - Yearly publication of the calendar of corporate events - Weekly chat: allows the company to interact in real time with users - High participation of shareholders (68% of share capital) in the meeting held on 28 April 2015
Financial institutions	<ul style="list-style-type: none"> - Banks - Bond market 	Continuity of relations, long-term solidity of equity	
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"> - Second convention with Hera Group's main suppliers: invitations equal to 59% of the value of the Group's supplies - Meetings continued with representatives of social cooperatives working in Emilia-Romagna for monitoring the employment of 686 persons facing hardship
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 	Transparent communication, concern over local issues, compliance with the law, correct management practices, innovation, partnerships	<ul style="list-style-type: none"> - the area managers organised around 800 meetings with mayors and received 3,250 requests from the Municipalities of the local areas served

Stakeholders	Main categories	Key issues	Key listening, dialogue and consultation initiatives
	institutes - State agencies		
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"> - New HeraLab (multistakeholder local councils) in the area of Modena, in addition to those of Bologna, Ferrara, Imola-Faenza, Ravenna and Rimini - 24 meetings held in 2015 in the six active Labs: 69 representatives from the various stakeholder categories took part in them - over 170 participants in the convention held in Bologna on 19 June 2015 to present the 2014 Sustainability Report - 164 guided tours in 2015 of Herambiente plants with over 3,555 visitors, 2,724 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"> - Hera and AcegasApsAmga promoted a wide range of initiatives 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 2015, value added distributed to stakeholders amounted to Euro 1,412.8 million (+1.8% compared to 2014). More than 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 and the costs of purchase of goods and services useful for the production process. So the difference between revenues and costs for the purchase of inputs from other companies represents the value that internal inputs, assets and labor have "added" to the inputs purchased from outside. 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 data relating to the added value for 2013 has 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 Spa, Est reti elettriche Spa, Estpiù Spa, Isontina reti gas Spa, Esil scarl and Enomondo Srl. Please see the explanatory notes to the annual financial statements for additional information.

Production of value added

in millions of Euro	2013	2014	2015
Revenues	4,457.0	4,189.1	4,487.0
Other operating and non-operating revenues	315.8	324.5	331.0
Grants received from public institutions	-10.7	-10.7	-13.6
Use of raw and other materials (net of changes to raw materials inventories and stocks)	-2,367.8	-1,965.5	-2,256.6
Service costs	-939.6	-1,053.6	-1,032.2
Bad debt provisions	-61.2	-65.5	-72.0
Accruals to provisions for contingencies and other provisions	-38.5	-29.5	-33.0
Other operating costs	-30.0	-26.6	-37.7
Capitalised costs	18.2	17.3	28.5
Gross value added	1,343.3	1,379.5	1,400.5
Portion of profit (loss) pertaining to associated companies	11.5	7.7	12.0
Gross overall value added	1,354.8	1,387.2	1,412.8

Gross overall value added generated for stakeholders in 2015 came to Euro 1,412.8 million, an increase of Euro 25.6 million on the previous year (+1.8%).

Distribution of value added to stakeholders

in millions of Euro	2013		2014		2015	
Workforce	478.6	35.3%	496.9	35.8%	510.8	36.2%
Shareholders	144.7	10.7%	145.4	10.5%	147.9	10.5%
Company	347.9	25.7%	368.5	26.6%	383.5	27.1%
Financial institutions/Banks	156.5	11.6%	153.9	11.1%	146.0	10.3%
Public Administration	223.8	16.5%	219.8	15.8%	222.0	15.7%
Local community	3.3	0.2%	2.7	0.2%	2.6	0.2%
Gross overall value added	1,354.8	100.0%	1,387.2	100.0%	1,412.8	100.0%

The portion of value added intended for the Group workforce increased Euro 13.9 million (+2.8%) compared to 2014. This increase is mainly linked to the change in scope for Euro 7.1 million due to the incorporation of Udine in the Group (which concerned just one half of 2014) and the remuneration increases envisaged by the national collective labour agreement.

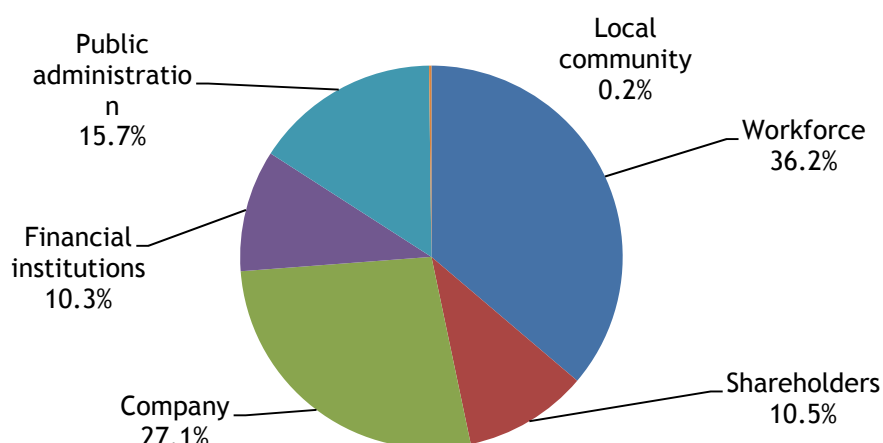
The portion allocated to the shareholders of Hera Spa and the minority shareholders of the subsidiaries rose by Euro 2.5 million (+1.7%) and equates to 10.5% of the total. Of this portion, Euro 134 million was allocated as dividends distributed to Hera Spa shareholders, and Euro 13.9 million was allocated as the portion of earnings pertaining to the minority shareholders of the subsidiaries of Hera Spa.

A portion totalling 27.1% of the value added generated in 2015 was re-invested in the company. This portion increased with respect to 2014 (+4.1%) and includes the net profit for the year not allocated to shareholders (Euro 46.5 million) and

amortisation/depreciation of investments made (Euro 337 million). The latter disclosed an increase of Euro 5.5 million due to new investments made.

The portion of value added allocated to financial institutions in 2015 came to Euro 146 million (10.3% of the total, -5.1% compared to 2014). This share comprises Euro 227 million in financial charges, and Euro 81 million in financial income.

Distribution of value added to stakeholders (2015)



The portion distributed to Public Administration amounted to Euro 222.0 million, 15.7% of the total (+1.0% compared to 2014).

Duties and taxes amounted to Euro 133.1 million (9.4% of the total value added distributed) and decreased 2.5% with respect to 2014.

Of the taxes and duties, Euro 94.7 million was allocated to the State (Euro 78.9 million in 2014), Euro 30.8 million to the Regional authorities and Euro 7.6 million to the Provincial and Municipal authorities. Business taxation rose slightly from Euro 112.6 million in 2014 to Euro 114 million in 2015.

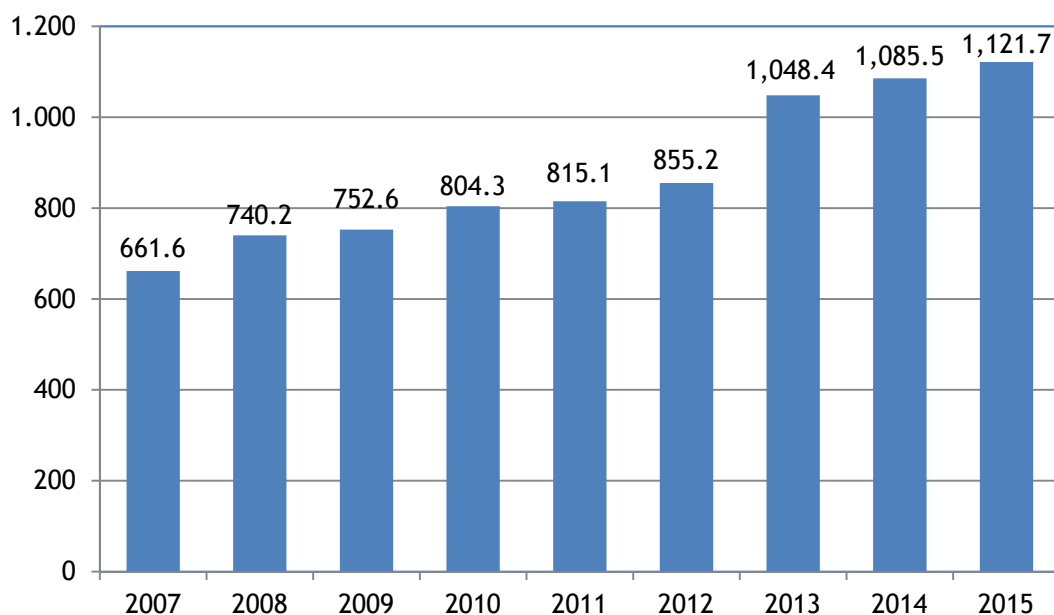
The plants and installations used by the company are in part owned by shareholding municipalities, and rental payments are made for their use. Environmental compensations are also paid to the municipalities regarding the waste treatment plants. In 2015, total payments for use of the assets of shareholder municipalities and environmental compensations came to Euro 98.5 million, up Euro 4.5 million with respect to the previous year.

There was also Euro 4.0 million relating to the running costs of the national and local authorities (Aegsi, Atersir, Agcm, Anac).

Grants received amounted to Euro 13.6 million, Euro 4.5 million of which allocated as operating grants and Euro 9.1 million as plant grants. This amount was subtracted from the portion allocated to the Public Administration.

Lastly, Euro 2.6 million was allocated to donations (Euro 0.3 million) and sponsorships (Euro 2.3 million); details on these items can be found in the "Environment and future generations" section.

Value added distributed to local areas (in millions of Euro)



In 2015, value added distributed to stakeholders in the local areas amounted to Euro 1,121.7 million (+3.3% compared to 2014).

It comprises:

- employee salaries (46% of the total);
- dividends to local Hera Spa shareholders (8%);
- duties, taxes and fees to local authorities (12%);
- charitable donations and sponsorships (0.2%);
- resources re-invested in the company (34%).

If the value of the supplies from suppliers in the local areas is also considered (which represents 68.3% of total Group supplies at consolidated level and which can be evaluated in 526.1 million), the total economic value distributed to local areas in 2015 can therefore be estimated as Euro 1,647.8 million (+3.5% compared to 2014), equal to 75% of the total of the wealth produced which came to Euro 2,183.3 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 Spa, here reference is made to the share composition as of the 2014 dividend payment date.

Investments

During 2015, Group investments amounted to Euro 332.7 million, with the benefit of Euro 13.7 million in capital grants of which 2.3 million for Fondo nuovi investimenti (Foni), as envisaged by the tariff method for the Integrated water service. Gross of the capital grants, total Group investments amounted to Euro 346.4 million.

With respect to the previous year, net investments rose Euro 6.2 million, from Euro 326.5 million in 2014 to Euro 332.7 million in 2015.

Investments

in millions of Euro	2014	2015
Gas area	79.8	87.3
Electricity area	27.4	27.6
Integrated Water Cycle Area	114.8	127.2
Waste Management Area	47.9	35.2
Other services Area	14.8	15.3
Central Structure	61.4	53.3
Total operating investments	346.1	345.9
Financial investments	2.4	0.5
Total gross investments	348.6	346.4
Capital grants	22.1	13.7
<i>of which for FoNI (Fondo Nuovi Investimenti)</i>	<i>10.5</i>	<i>2.3</i>
Total net investments	326.5	332.7

In 2015, the gross investments of the Gas Area amounted to Euro 87.3 million and disclosed an increase of Euro 7.5 million when compared with 2014. Net of capital grants (Euro 0.9 million), investments came to Euro 86.5 million. In the distribution of gas, the increase mainly derives from the effects of the extension of the scope in the areas of the AcegasApsAmga Group for Udine (Euro 2.0 Million) and BSTC (Euro 0.4 million), as well as the legislative adaptation activities as per Resolution 631/2013 for the mass replacement of meters, which also concerned the apparatus with a lower class (G4-G6) and the additional extraordinary maintenance on networks and installations, involving an overall increase of Euro 5.6 million.

Once again in 2015, the effect of the overall economic situation continued, leading - with respect to the previous year - to a further slowdown in the request for new connections.

The investments rose by Euro 2.0 million also in the district heating and heat management area, up mainly due to the revamping of the Barca co-generation plant in Bologna and the measures on the plant at the Forlì university campus,

Investments in the Electricity Area amounted to Euro 27.6 million, resulting in a Euro 0.2 million increase when compared with Euro 27.4 million last year. The measures carried out mainly concerned the extraordinary maintenance of plants and distribution networks in the areas of Modena, Imola, Trieste and Gorizia.

With respect to the previous year, there was greater extraordinary maintenance on networks and plants, offset by the minor measures on the Imola co-generation plant due to the work carried out last year. Also in this area, the connections were down with respect to the previous year. In the industrial co-generation sphere for Energy Service activities, the measures reported a rise of Euro 0.4 million with respect to 2014.

Gross investments in the Integrated Water Cycle Area amounted to Euro 127.2 million, resulting in a Euro 12.4 million increase when compared to last year. Net of capital grants, investments in the area came to Euro 114.9 million.

The measures in the water cycle area 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 59.1 million in the aqueduct area, Euro 34.3 million in the sewers area and Euro 33.8 million in the treatment area.

The main measures included: in the aqueduct area, the interconnection of the water systems and the renewal of the networks and plants including, being particularly significant and complex, the renewal of the water networks in the town centre of Bologna; in the sewage area, activities for the adaptation of the drains as envisaged by Italian Legislative Decree No. 152/2006 and the progress of the works envisaged by the plan for protecting the seawater in Rimini, including the construction of the Ausa 1st phase tank, of the 1st phase of Dorsale Sud, the hospital lamination tank and the 1st phase of the 1st portion of separation sewer networks north area; in the treatment area, the adaptations of the Ponte Rizzoli, Cesenatico and Cattolica plants, the enhancement of the water line of the Bagnocavallo treatment plant, the revamping of the oxygen production plant of the Idar treatment centre in Bologna, as well as the start of work on the Servola treatment plant in Trieste and the Cà Nordio plant in Padua.

The requests for new water and sewer connections decreased with respect to the previous year also in the water service area.

Capital grants amounted to Euro 12.2 million, of which Euro 2.3 million relating to the tariff component for the Fondo Nuovi Investimenti (FoNI), and were down with respect to 2014 by Euro - 8.9 million.

Gross investments in the Waste Management Area concerned maintenance and enhancement measures on plants and amounted to Euro 35.2 million, resulting in a Euro 12.7 million increase when compared to 2014. Net of capital grants, investments came to Euro 34.6 million.

The composting/digestors business area disclosed an increase with respect to the previous year of Euro 1.0 million, mainly due to the measures relating to the Rimini and Ozzano composting plants, partly offset by the minor investments on the Voltana and Cesena plants for the work in 2014.

The reduction in the investments on landfills (Euro - 7.3 million) is attributable to fewer maintenance measures for the Ravenna and Sant'Agata plants, the post-closure of the Il Pago and Zocca plants and the reduction of the conferrals due to complete landfill for Feronia. In the area of the company Marche Multiservizi, the reduction in the investments of the landfill business area depends on the accomplishment in 2014 of the extension of the Cà Asprete di Tavullia (PU) landfill. The main measures in 2015 concerned the Tre Monti landfill for the new biogas engine and the Ravenna plant for the start of the works on sector 9, as well as the planning of the fifth section of Pago and Baricella.

In the WTE area, the investments remained more or less at the level of the previous year due to the additional work on the Padua and Trieste plants, offset by a reduction in the extraordinary maintenance on plants of the remaining areas of the Group which were subject to additional work in 2014, including the Rimini, Modena, Pozzilli and Ravenna plants.

In the special waste plant sector, the additional investments with respect to past year are due to an increase in the maintenance measures on the Ravenna plants, in particular the sludge drying plant and Tapo plant (organic process water treatment). These additional investments were partly offset by the completion of the installation of the new filter press in 2014 on Itfi (industrial sludge treatment plant) in Bologna.

In the collection systems, there was the completion of the new innovative HergoAmbiente system and the continuation of creation of the underground drop-off points in Bologna. The capital grants (Euro 0.6 million) of this Area refer to the latter.

In the selection and handling plants, the reduction of Euro 4.2 million was due to the conclusion in 2014 of the Bologna selection plant and a handling plant in Cervia, not offset by the work in 2015 on the Modena Plant and for measures on the handling plants of Sassuolo and Guelfi.

In the Central Structure, the investments concerned the measures on the properties of the company premises, on information systems, on the vehicle fleet, as well as the laboratories and the remote control structures. Overall, the structure investments decreased by Euro - 8.1 million when compared with the previous year, essentially due to the work at the company premises carried out in 2014.

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 Spa, Herambiente, Hera Comm, Uniflotte, AcegasApsAmga and Marche Multiservizi.

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 environmental 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	2014*	2015*	2015
Environmental costs	401.9	448.2	470.9
Environmental investments	171.4	185.9	192.5

The figures refer to Hera Spa, Herambiente, Hera Comm, Uniflotte, AcegasApsAmga and Marche Multiservizi. * Excluding Marche Multiservizi.

In total, the operating costs for measures aimed at improving environmental sustainability amounted in 2015 to Euro 470.9 million, 17% more than in 2014, corresponding to Euro 69 million. The increases are attributable to the extension of the scope of the analysis relating to 2015 to Marche Multiservizi (+22 million with respect to 2014, corresponding to around 4.6% of total Group costs).

Net of these changes in scope, with respect to 2014 environmental costs amounted to Euro 448.2 million, 11% more than in 2014, corresponding to around Euro 46 million. The most significant increases concerned the rise in the management costs for the selection plants (change in scope due to the inclusion of Akron in Herambiente further to the merger via incorporation of the former in the latter and corresponding to around + Euro 32 million), in the management costs for the composting plants, in the costs for the energy services (in particular, the district heating network and plant management costs, + Euro 6 million and the gas emergency response service costs, + Euro 2 million) and the waste management costs (+ Euro 2 million) in particular linked to separate waste collection. These increases were partly offset by the decrease in costs for energy certificates, in particular grey ones (European greenhouse gas emission system) almost halved with respect to last year.

In the AcegasApsAmga sphere, the Euro 81 million in costs was made up as follows: around 17% concerned energy services, 14% related to water services, the waste management services sphere (56%), the disposal of waste produced by the company (8%), energy efficiency (1%) and in the sphere of costs for the waste management system and communication and sustainable conduct (4%).

In the Marche Multiservizi sphere, the Euro 23 million in costs was made up as follows: around 5% concerned energy services, 31% related to water services and the remaining 64% divided up as follows: waste management services (53%), energy efficiency activities (9%) and costs for the waste management system (2%).

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 192.5 million, up by around 12% with respect to 2014 and corresponding to around Euro 21 million.

Scope being the same, there was an increase of around Euro 14 million. This change was made up as follows: increase in investments in energy services (+19% with respect to 2014 corresponding to around Euro 9 million) due to a rise in the measures on gas networks and plants and district heating networks partly offset by a decrease in industrial co-generation; increase in the investments in water services (+9% with respect to 2014 corresponding to around Euro 8 million) in particular measures on the aqueducts and on the sewer network and adaptation and enhancement of treatment plants; a decrease in investment in waste management services (-17% with respect to 2014 corresponding to around Euro 3 million) essentially due to the conclusion of the investments in the sector of separate waste collection in the areas of AcegasApsAmga (in particular at the equipped drop-off points) in part offset by the investments in environmental improvement measures on the waste-to-energy plants again within the AcegasApsAmga sphere.

In the AcegasApsAmga sphere, the Euro 46 million in environmental investments were made up as follows: around 42% concerned improvement measures on the gas network, 44% for the water service, 12% regarding waste management services and the remainder (2%) for the purchase of skips and “igloo” bins for separate waste collection and the furthering of sustainable conduct. In the Marche Multiservizi sphere, the nearly Euro 7 million of investments almost entirely concerned the integrated water service (85% of the total).

Environmental investments accounted for 55% of non-financial operating investments.

Customers

In 2015, the Hera Group's services were used by over 4 million people and over 251,000 companies for which fast track channels were created.

In the area of deregulated services, Hera sold gas and electricity to over 2 million customers across many regions of Italy.

Hera has measured 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	Local area*
<ul style="list-style-type: none"> • Launch the multi-service water and electricity bill in Trieste. 	<ul style="list-style-type: none"> • In the first quarter of 2015 AcegasApsAmga customers in Trieste began receiving the multi-service water and electricity bill. 	A
<ul style="list-style-type: none"> • Install charge points for electric vehicles in Trieste. 	<ul style="list-style-type: none"> • In 2015, 11 charge points were installed. 	A
<ul style="list-style-type: none"> • Extend to other Municipalities the protocol for preventing supply interruptions for customers assisted by social services. 	Two new protocols were signed in 2015: one with the Municipality of Ferrara and the other with the Municipality of Modena. (see page 68)	H
<ul style="list-style-type: none"> • Promote individual heat metering in condominiums. 	<ul style="list-style-type: none"> • At the end of 2015, 182 condominiums had individual heat metering systems (+88 compared with 2014). The "Hera caldo smart" offer relates to this area (see page 166) 	H
<ul style="list-style-type: none"> • Trial the quantity-based tariff in 2 municipalities and define the Hera model. 	<ul style="list-style-type: none"> • The tariff is being trialled in 3 municipalities. The Hera industrialisation model will be defined at the end of the trial, in 2016. (see page 97) 	H
<ul style="list-style-type: none"> • Continue to promote the "Hera Start-up" and "Giorno Hera" offers. 	<ul style="list-style-type: none"> • The "Hera Start-up" and "Giorno Hera" offers were also promoted in 2015. (see page 51) 	H
<ul style="list-style-type: none"> • Comply with the commercial quality standards for gas and electricity and with the Service Charter in 98.5% of cases. 	<ul style="list-style-type: none"> • In 2015, Hera complied with quality standards in 99.6% of cases. (see page 72) 	H A
<ul style="list-style-type: none"> • Extend the "In good water" report to Marche Multiservizi. 	<ul style="list-style-type: none"> • The report was extended to Marche Multiservizi and published in November 2015. (see page 100) 	M
Safety and continuity of services: <ul style="list-style-type: none"> • Response times to 95% of gas emergency calls within 120 seconds. • Arrival time within 60 minutes for 95% of calls to the gas emergency service. • Aqueduct network emergency calls: average arrival time at the call location: 60 minutes in very urgent cases. • Development of a plan for detecting leaks on the aerial part of the gas network and on the meters. 	<ul style="list-style-type: none"> • In 97.9% of cases calls were answered in less than 120 seconds. (see page 83) • In 97.7% of cases the arrival time at the call location was less than 60 minutes (see page 81) • The average arrival time at the call location in very urgent cases was less than 60 minutes in all areas served in Emilia Romagna. • 17% of the aerial part of the gas network was inspected compared with the forecast of 15%. (see page 82) 	H H A H A A H

What we said we would do	What we have done	Local area*		
<ul style="list-style-type: none"> Guarantee the average call centre and branch waiting times recorded in 2014. Further improve the average waiting times at AcegasApsAmga branches. 	<ul style="list-style-type: none"> Overall average waiting times in line with 2014 for the branches and improvements for the call centre. The waiting times at branches of AcegasApsAmga increased due to the replacement of the computer systems (see pages 86 and 87) 	H	A	
<ul style="list-style-type: none"> Respond to claims and requests for invoice corrections within 40 calendar days in 95% of cases. 	<ul style="list-style-type: none"> In 2015, Hera replied within 40 calendar days in 97.6% of cases. (see page 90) 	H		
<ul style="list-style-type: none"> Start the “Give a tree to your city” campaign to promote the online bill in AcegasApsAmga and re-launch it in Emilia-Romagna. 	<ul style="list-style-type: none"> The campaign was re-launched in Emilia-Romagna in June 2015. The extension of the campaign to AcegasApsAmga is scheduled for 2017. (see page 101) 	H	A	
<ul style="list-style-type: none"> Restyle the customer branch in Udine. 	<ul style="list-style-type: none"> The Udine branch was reopened with the new Group layout in June 2015. (see page 88) 			A

We shall	Local area*		
<ul style="list-style-type: none"> Promote new gas and electricity solutions with value added and energy efficiency services. 	H	A	M
<ul style="list-style-type: none"> Continue to promote solutions for energy efficiency and individual heat metering in condominiums. 	H	A	
<ul style="list-style-type: none"> Continue to trial the quantity-based tariff and define the Hera industrialisation model. 	H		
<ul style="list-style-type: none"> Update and disseminate the SOStegnoHera guide to tariff concessions. Extend the guide to all areas served. 	H	A	M
<ul style="list-style-type: none"> Extend the protocol that prevents service suspensions for customers assisted by social services to other new Municipalities. 	H	A	
<ul style="list-style-type: none"> Comply with the commercial quality standards for gas and electricity and with the Service Charter in 98.5% of cases. 	H	A	M
<ul style="list-style-type: none"> Define an action plan to improve technical and commercial quality in the integrated water service on the basis of AEEGSI resolution 655/2015. 	H	A	
<ul style="list-style-type: none"> Continue the electronic gas meter installation plan (135,000 new meters installed in 2016). 	H	A	M
<ul style="list-style-type: none"> Increase the frequency of gas meter readings (compared to that provided by Aeegsi) to reduce the estimated component of the bill. 	H	A	
Emergency gas services:			
<ul style="list-style-type: none"> Response times of a maximum of 60 minutes for 96% of calls. 	H	A	
<ul style="list-style-type: none"> Answer 96% of calls within 120 seconds. 			
<ul style="list-style-type: none"> Continue with the plan for detecting leaks on the aerial part of the gas network and on meters. 	H		
<ul style="list-style-type: none"> Guarantee that call centre quality levels and average waiting times at branches are in line with those of 2015. Improve waiting times at branches of AcegasApsAmga. 	H	A	M
<ul style="list-style-type: none"> Develop a multi-service app for customers with similar functions to those of the online services. 	H		
<ul style="list-style-type: none"> Continue to promote the online bill (15% of customers in 2016) and online services (17% of customers in 2016). Extend the “Give a tree” campaign to Marche Multiservizi and plan a new promotional campaign. 	H		M
<ul style="list-style-type: none"> Identify improvement actions based on the results of the customer satisfaction survey and the customer experience project. 	H	A	M
<ul style="list-style-type: none"> Publish a new sustainability report dedicated to customers and local communities. 	H		

*Applicable local area of improvement measures

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

Our customers

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

Energy services customers

Thousands	2013	2014	2015
Gas customers	1,221.2	1,316.1	1,327.6
Electricity customers	724.9	795.2	856.8
District heating customers	11.3	11.5	11.8

Integrated water service customers

Thousands	2013	2014	2015
Total customers	1,441.8	1,444.5	1,449.4

Urban waste services

	2013	2014	2015
Municipalities served (no.)	196	189	189
Citizens served (thousands)	3,285	3,308	3,323

The Hera Group also recorded an increase in its overall number of customers in 2015. The general dynamic is influenced by the combined action of several factors: in the area of energy services, the acquisition of Alento Gas in Francavilla al Mare (PE) (+12,000 customers approx.) which strengthened the Group's presence in Abruzzo and more than compensated for the loss of customers due to the intensification of competitor activities in the areas served.

In energy services there was an increase in free market residential customers (+18% compared with the previous year for both gas and electricity) which came to 50% by the end of 2015.

In the non-residential customer area, Hera sells electricity to around 54,000 customers in the protective system in 12 Italian regions on the basis of the public insolvency proceedings pursuant to Law 125/2007 passed in 2013 (concluding in December 2016).

Meanwhile, its progress in the area of electricity continues to be decidedly positive (+7.7%) in a year in which the company focused its attention on improving the customer experience and protecting customers during the contract phase. More specifically, a project involving customers was launched to identify the most important moments of contact with the company, familiarising employees with innovative approaches in the management of commercial relations.

Protecting its customers remains one of the Group's priorities: to this end, important improvements were made to commercial processes for the finalisation of remote contacts (teleselling and door to door).

In the water service area, the growth of residential customers is still quite contained due to the ongoing recession in the real estate sector, while non-residential

customers grew by 1.3%. Meanwhile, compared with last year the number of municipalities and the number of citizens served by the urban waste service is stable.

Overall, the Hera Group's commercial actions in 2015 were distinctive for the attention it focused on the protection of the customer during the contract phase. In particular, quality controls on the work of external sales agencies were introduced while our commitment to improving our commercial processes was strengthened with the goal of increasing our transparency towards the customer. By way of evidence of this, all agents were given a genuine ID card (much bigger than the classic badge) which has the number of the Hera call centre on the back; by phoning this number, the customer can check the identity of the agent.

In 2016 the company will focus its attention on the following issues:

- loyalty policies aimed at strengthening relationships with the company (commercial partnerships with entities of national importance) and making them smarter (multi-service app);
- customer base consolidation and growth initiatives for the sales companies that have joined the Group in recent years;
- quality controls on commercial activities carried out by sales agencies;
- extension of the physical network through the opening of a new Hera Comm Point.

Commercial policies

The Group's commercial strategy once again considered all customer segments in 2015, which were reached using different sales channels 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 commercial opportunities.

The proximity to customers remains one of the main pillars at the basis of the Group's actions, through the use of a highly structured customer relationship management 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.

Proximity to the customer is also fundamental in the areas of expansion of Hera Comm. For this reason, 2014 saw the introduction of the first Hera Comm Points, the go-to places for all those that need information and assistance regarding new or existing contracts. There are currently four Hera Comm Points (the most recent one was opened in Lucca) and in 2016 another one will open in Pesaro.

The focus on clear and unambiguous messages and high-level services is also embodied by the launch of a channel dedicated to small and medium-sized enterprises, the "business agents", agents with highly specialist knowledge that are available to companies in the local area.

The portfolio of services for the massive markets continues to focus on two main areas:

- the opportunity to access the wholesale energy market as guaranteed by the “Prezzo Netto” offer;
- the safety and stability of expenditure guaranteed by the “Prezzo Fisso Hera” and “Giorno Hera” offers.

Also with the aim of helping consumers to develop a greater level of awareness around the issue of energy efficiency, in 2015 Hera Comm customers were given the chance to purchase LED light bulbs and pay for them in instalments via their bills.

“Giorno Hera”: electricity and gas at a regular daily rate and you always know how much you are spending. You can breathe a sigh of relief!

Tailored to the needs of consumers and households that are not able to afford high peaks in spending during the year, “Giorno Hera” is the Hera Comm free market electricity and gas solution which sees users pay a fixed and regular daily rate for the energy they consume. The rate is established on the basis of their energy consumption the previous year and the 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.

In 2015 “Giorno Hera” was even more economical: as well as the advantages of the offer and the regular daily price, users were also given up to 30 days of free electricity and gas. This important promotion, revamped in terms of its creativity, was disseminated through an intense communication campaign during the winter months, carried out using the main communication media in all of the principal areas of commercial interest. By December 2015 the “Giorno Hera” offer had been taken up by around 11,000 customers for the electricity service and around 10,000 customers for the gas service.

Hera Start Up: close support for young, growing companies

The Hera Group’s support for new businesses continued throughout 2015 thanks to “Hera Start Up”, a tool developed to support young entrepreneurs during the start up phase of their businesses with advantageous conditions.

During the year, the arrival of new partners in the form of trade associations and start-up incubators, an important online promotion campaign and participation in dedicated events contributed to guaranteeing the wider dissemination of the first multi-service solution designed to meet the growth needs of new businesses, developed as a result of the combined expertise of Hera Comm, Amga Energia e Servizi, Acantho and Herambiente.

In fact, “Hera Start Up” is a package which, in a single solution, includes: an electricity and gas offer at wholesale prices with a small contribution towards consumption, free for the first year; a voice and data communication services offer with advantageous conditions; free waste management consultancy; and payment of bills within 60 days. A series of tools made available by the Hera Group to maximise benefits and practicality for start-ups.

"Natura" option: a commitment to sustainability

In 2014-2015 over 90,000 customers (electricity and gas) signed up for "Natura", the option available right throughout the Hera Comm portfolio to support the environment. Customers that sign up for the option support the production of energy from renewable sources without additional costs, contribute to reducing paper consumption thanks to the online bill, and reduce their commutes thanks to the direct debit instrument.

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.

In 2015 Hera Comm confirmed its basic guidelines, i.e.:

- the selection of agencies according to the principles and methods defined in the Group's quality system;
- the signing by all partners of the agency mandate which includes the Group's Code of Ethics;
- specific training provided to agency managers and their agents by Hera Comm personnel;
- periodical mentoring at final customer premises by Hera Comm personnel in order to assess the conduct of the sales network;
- recognisability of door-to-door agents who must display an identity card to the customer they are visiting;
- monitoring of the quality of the work carried out by the sales network through surveys with the final customer.

With the aim of developing contact channels that bring it closer to its customers, Hera Comm has launched:

- a process to extend its sales network through the opening of new Hera Comm Points;
- an initiative for small business customers, i.e. a dedicated sales channel represented by business agents, with specialist training in energy markets and related offers.

The close support and protection of its customers continue to be the key principles that shape Hera Comm's commercial activities. In 2015 Hera Comm continued to closely abide by AEEGSI (Italian Authority for Electricity and Natural Gas) resolution 153/2012/R/com ("Adoption of preventive recovery measures in cases of unrequested contracts and activations of electricity and/or natural gas supplies"). The Hera Group added further safeguards to those defined by AEEGSI:

- sending of a welcome letter to new customers in the event of contracts concluded remotely and/or outside the commercial premises, as well as for contracts concluded on the commercial premises;
- sending of a welcome letter to non-domestic gas customers too (already envisaged by law for electricity);
- possibility of withdrawing from the contract also by fax, e-mail or letter in addition to 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 compensation of Euro 25.

In addition, in 2015 Hera Comm continued to work on quality controls aimed at improving customer relations, identifying a number of improvements to contract processes in order to observe the provisions of the Consumer Code more closely. Hera Comm modified the telephone scripts in order to improve the customer's understanding during the conclusion of the contract and obtain their consent in a clear and unequivocal way. In addition, customers can also choose to receive the contractual documentation by email and can access the recorded telephone contract directly on a website or via an automatic telephone system. Finally, the following quality control improvements have been made:

- for all contracts proposed following telephone contact, if the customer has not voluntarily confirmed receipt of the contractual documentation a phone call is made with the aim of: checking that the consumer has received the contractual documentation; monitoring the quality of the sale made through the teleselling channel; establishing if the consumer is reluctant to finalise the contract and taking prompt action to that end;
- for all contracts proposed following a visit to the customer's home a welcome letter is sent and a phone call is made that ascertains the quality of the sales channel and gives the customer the chance to exercise their right to change their mind through a recorded call.

The aim of these initiatives is to further protect the final customer by ensuring they are more informed during the contract phase.

Thanks to improved monitoring and the closer supervision of sales channels, Hera Comm recorded 287 complaints regarding unrequested contracts (0.1% of finalised contracts), 36% down compared with 2014. Claims management was also completely geared towards protecting the customer: 99% of complaints were investigated and all of these resulted in the application of corrective measures. Hera Comm signed a total of 305,000 new gas and electricity contracts in 2015 (239,000 related to domestic customers and over 65,000 to non-domestic customers).

The cost of our services

Hera manages service concessions and free market services. For the service concessions (integrated water service, urban waste, distribution of gas and electricity), the tariffs applied by Hera are regulated by the controlling authorities (AEEGSI and the local urban waste authorities), while for free market services (waste disposal, sales of gas and electricity), the tariffs are freely determined by the sales company. On a quarterly basis AEEGSI defines and updates the prices for the sales tariffs to customers that have not subscribed to a free market electricity service option and for domestic gas customers that enjoy protective economic conditions.

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

Euro	2014	2015	Var. 2015/2014	% Var. 2015/2014
Gas	773.25	860.69	87.44	+11.3%
Electricity	302.17	306.12	3.95	+1.3%
Water services	199.92	214.35	14.43	+7.2%
Waste	237.80	238.78	0.98	+0.4%
Total	1,513.14	1,619.94	106.80	+7.1%
<i>of which attributed to Hera</i>	603.24	630.67	27.43	+4.5%
<i>of which attributed to raw materials and generation</i>	475.16	481.49	6.33	+1.3%
<i>of which duties, taxes, system charges and other charges</i>	434.75	507.78	73.04	+16.8%

This is the spending of an average family in 2014-15 for the four services provided by Hera on the basis of the average gas, electricity and water consumption figures recorded in the two-year period. For the waste service a family of 3 members living in an 80 m² flat was considered.

In 2015 the average family spent Euro 1,620 on the services supplied by Hera. Compared with 2014 there was a price drop of Euro 54 due to the performance of fuel market prices. However, this effect was more than compensated for by the increase in the volumes of gas (+17%), electricity (+3%) and water (+3%) consumed as a result of the seasonal climate trend that increased spending by Euro 160. The combined effect of these two factors led to a Euro 107 increase (+7%) in overall spending for the four services which, however, is still 8% below that of 2013.

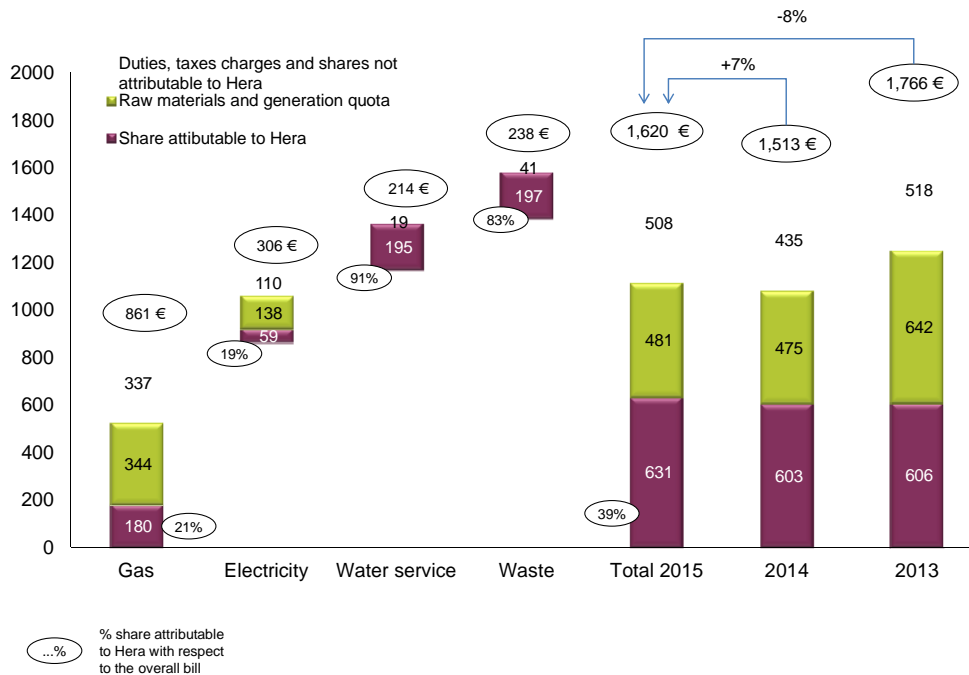
39% of overall spending, amounting to Euro 631, is attributable to the components of the bills issued by Hera. This proportion rose by Euro 27 in 2015, Euro 24 of which connected with the increase in the volumes consumed. There was a Euro 17 increase in the duties and taxes component, which impacts particularly on the gas bill.

In 2016 a further reduction of Euro 61 is expected in average overall spending (-4% with consumption being equal) as a result of the continuing fall of fuel prices, expected to last for the next few months, and the reduction in the proportion of the gas bill attributable to Hera because of recent AEEGSI provisions.

In comparison with 2013, a year in which the average family spent Euro 1,766 on the four Hera services, the savings accumulated in the two following years come to Euro 399 (23% of the spending in 2013). Of these savings, Euro 141 is due to the reduction of prices in 2014-15 which is joined, considering equal volumes, by a further Euro 61 in 2016 for a total of Euro 202, corresponding to 11% of the spending on the four Hera services in 2013.

The costs of the services related to years 2013 and 2014 also include AcegasApsAmga and Marche Multiservizi and are therefore different from the figures reported in the 2014 Sustainability Report.

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



On the basis of equal volumes consumed by an average Hera customer, in 2015 there was a 2.6% reduction (equating to Euro 54) in the overall cost of the services compared to 2014. This was due to:

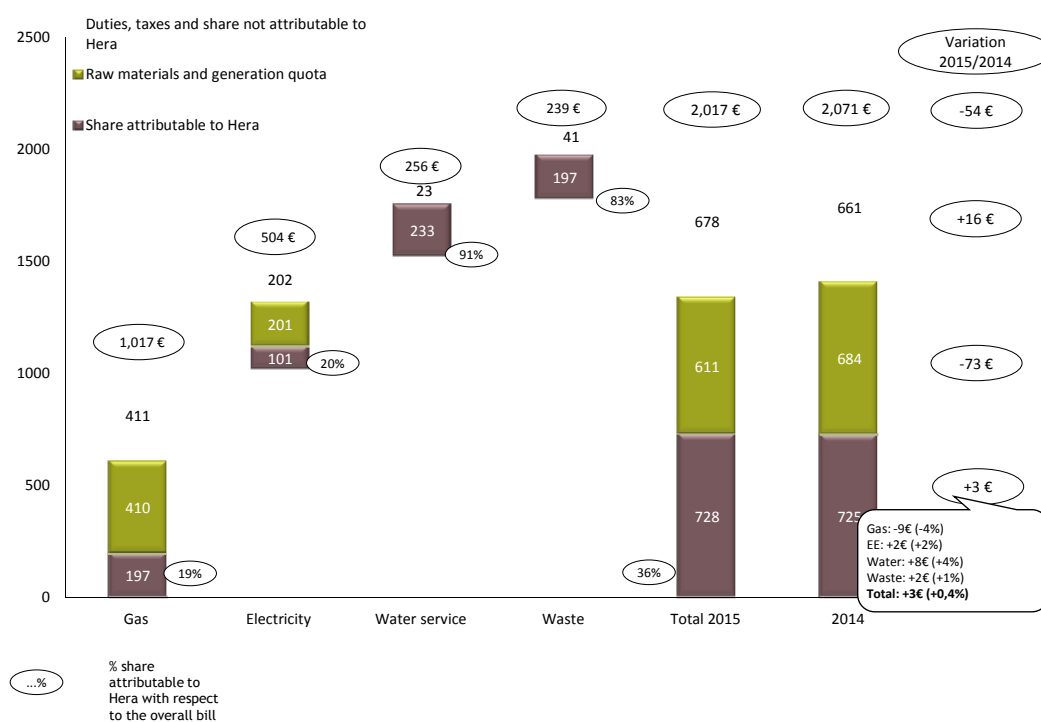
- a Euro 73 reduction in the cost of raw materials and generation directly related to fuel price trends;
- a Euro 16 increase in duties, taxes, system charges and other charges: The Euro 15 increase in the share of electricity system charges and duties was particularly impactful, although this was partially offset by the Euro 1 reduction in waste and gas tariff quotas not attributable to Hera;
- a Euro 3 increase in bill components attributable to Hera. This increase corresponds to 0.2% of the total amount of the bills considered: it is due to the increases in the water service (Euro 8), the waste management service (Euro 2), the electricity service (Euro 2) and the Euro 9 reduction for the gas service.

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

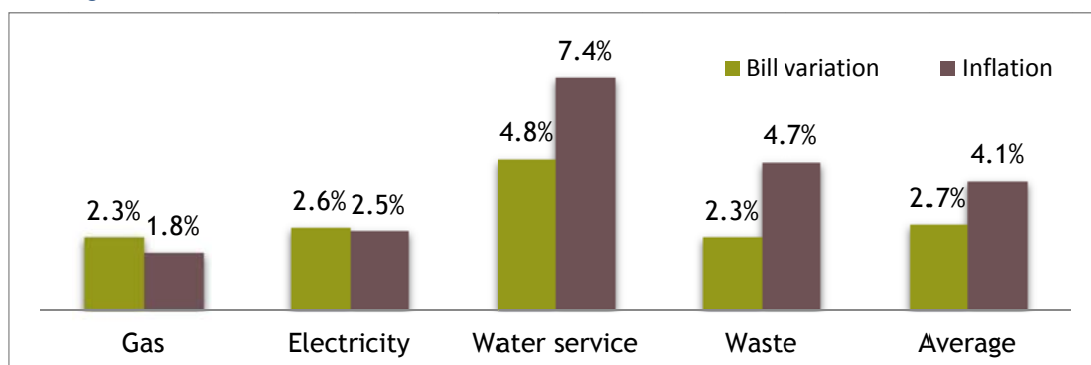
Euro	2014	2015	Var. 2015/2014	% Var. 2015/2014
Gas	1,064.10	1,017.38	-46.72	-4.4%
Electricity	521.40	504.30	-17.10	-3.3%
Water service	247.37	256.44	+9.07	+3.7%
Waste	237.80	238.78	+0.98	+0.4%
Total	2,070.67	2,016.90	-53.77	-2.6%
<i>of which attributed to Hera</i>	<i>724.95</i>	<i>728.11</i>	<i>+3.16</i>	<i>+0.4%</i>
<i>of which attributed to raw materials and generation</i>	<i>684.26</i>	<i>611.26</i>	<i>-73.00</i>	<i>-10.7%</i>
<i>of which duties, taxes, system charges and other charges</i>	<i>661.46</i>	<i>677.53</i>	<i>+16.07</i>	<i>+2.4%</i>

The table considers a domestic customer 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 corresponding to a family of 3 living in 80 m² flat for the waste service. The 2013 water service bill was modified by applying the new AEEGSI tariffs on an accrual basis.

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



Comparison between variation of bills from 2006 to 2015 and inflation (annual average increase, CAGR)



The long-term analysis indicates that, between 2006 and 2015, the compound annual growth rate of the gas, electricity, water service and waste management bills in the Emilia Romagna area served by Hera was below the Italian national average: +2.7% compared with +4.1% at national level. This difference is even more marked in favour of Hera water service customers and, more especially, Hera waste service customers.

The gas bill

Euro	2013	2014	2015
Raw material component	532.10	449.76	409.90
Retail sale quota	56.00	72.01	67.64
Distribution tariff	139.04	133.78	129.18
System charges	24.64	25.53	34.20
Consumption tax	197.99	197.99	197.99
Regional tax	30.57	30.58	30.58
VAT 10%/22%	160.82	154.47	147.89
Total	1,141.16	1,064.10	1,017.38

19% of bill attributable to Hera

Weighted average for a residential customer with consumption of 1,200 m³ of gas a year, considering the bills in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena, Padua, Pesaro, Ravenna and Trieste. The grey areas refer to tariff components not attributable to Hera. A customer under market tariff protection conditions was considered, according to the economic conditions defined by AEEGSI; 59% of Hera residential customers fall within this category. The complete data regarding the gas supply tariffs are available on the Group's website.

With consumption being equal, on average the 2015 gas bill of a Hera domestic customer under market tariff protection conditions cost Euro 47 less (-4%) compared with the previous year. The sale quota, which considers the raw material and the retail sale quota, fell by Euro 44 as a result of the reduction in listed gas prices. The distribution tariff fell by Euro 5, while system charges increased by Euro 9. Consumption tax and regional tax are unchanged while VAT fell by Euro 7 as a result of the reductions registered.

Gas distribution tariffs are set annually by AEEGSI. Resolution 367/2014/R/GAS of July 2014 defined the regulation of the gas distribution and metering service tariffs for the 2014-2019 regulatory period. The tariffs are differentiated for the six macro-

regional areas into which the country is divided, and are determined to guarantee the coverage, at macro-area level, of the capital and operating costs incurred by distributors. The Consolidated Law for the regulation of the quality and rates of gas distribution and metering services for regulatory period 2014-2019 (TUDG) establishes that, from 1 January 2015, the fixed rates of the obligatory distribution tariffs are structured by metering unit class (meter class). The reference used was the G4 meter class size for an average family living in the municipalities served. The obligatory tariff levels for the distribution and natural gas metering services for January-December 2015 were approved by resolution 672/2014/R/Gas of December 2014.

On average, the distribution tariff accounted for 12% of the total bill in 2015. Part of the distribution tariff includes components to cover general gas system charges, such as energy saving promotion costs. These components of the bill come under System Charges and are treated by individual distribution partners as contra-items: in fact, they pay the relative proceeds to the Energy and Environmental Services Fund (former Adjustment Fund for the Electricity Sector). In 2015, the system charges updated by resolution 675/2014/R/Com, and subsequent quarterly updates, increased by 20% compared to the previous year. All charges were up, particularly the component that covers the charges connected with the interruption of redelivery point supplies and late payments by customers supplied by last resort suppliers. This coverage was introduced by resolution 134/2014/R/Gas in 2014.

The sales quota relative to the economic conditions of the supply for the service subject to protection, defined by AEEGSI, is governed by the Consolidated act for the retail sale of gas (resolution Arg/gas 64/2009). In 2015, raw material costs were indexed according to the gas price of the Dutch hub TTF, which reflects the costs of the European market. As per the reform implemented by AEEGSI in 2011 on protected service economic conditions, the activation of an Italian reference market in a subsequent tariff change phase is in the pipeline. In 2015 the tariff components attributable to raw material purchase accounted for 41% of the total bill. Resolution 550/2014/R/Gas updated the retail sales component in accordance with the overall reform framework: more specifically, there was a slight increase in the fixed quota from January 2015 compared with 2014.

Finally, on average taxes accounted for 37% of the total gas bill in 2015. Consumption tax, additional regional tax and VAT are paid to the State and regional government authorities and are set through specific provisions by the Ministry of the Economy and Finance and the regional government authorities. In addition, these taxes vary according to whether the gas is used for heating or only for cooking or industrial uses. Since January 2008, VAT has been applied at 10% for up to 480 cubic metres annually. Above this, VAT is set at 22% under Decree Law 76/2013.

As an alternative to the protective economic conditions, residential customers and small businesses may choose from various solutions in Hera Comm's portfolio of free market offers. With the "Giorno Hera" offer customers can take advantage of a fixed, regular rate, helping them avoid high peaks in spending during the year. Meanwhile, the "Prezzo Netto" offer links the cost of the energy component to the wholesale natural gas market. With the Prezzo fisso offer, the energy component

remains fixed for 24 months (after which the price varies automatically depending on the performance of the wholesale natural gas market).

Before subscribing to Hera Comm's free market offers, domestic customers receive a comparative sheet drawn up according to the criteria defined by the Authority (ARG/com resolution no. 104/2010). This sheet compares the estimated annual cost of the offer with the economic conditions of the protected service defined by AEEGSI. The comparative sheets are available on the Hera Comm website.

In addition, in 2015 signing up for the Prezzo netto natura web offer generated savings of approximately Euro 37, equal to 4% of the bill indicated in the table.

The electricity bill

Euro	2013	2014	2015
Energy generation quota	215.93	194.11	167.16
Dispatching quota	36.83	40.39	34.20
Distribution and sales quota	92.01	99.39	100.87
System charges	101.52	118.59	134.66
Taxes	20.43	21.52	21.57
VAT (10%)	46.67	47.40	45.84
Total	513.40	521.40	504.30

Attributable to Hera: 20% of the total bill

Weighted average of a bill for a residential customer residing in the municipalities of Modena, Imola and Trieste 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; 32% of Hera residential customers fall into this category.

Considering equal consumption, the electricity bill of a residential customer to which the service subject to the highest protection is applied fell by 3.3% in 2015 compared to the previous year (18 Euro). The Euro 27 reduction in the energy generation quota was partially offset by the increase in the remaining items, especially the system charges. Only the distribution and sales quota is attributed to Hera: it is used to cover the management and maintenance costs of the power grid incurred by the distributor, and the costs for sales activities (invoicing, bill sending etc.) which are incurred by the sales company. Only 20% of the bill is attributable to Hera.

The 2015 bill is calculated 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 Monday to Friday, and two-thirds during off-peak periods). The profile defined by AEEGSI 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 consumption from the peak period to cheaper times of the day, corresponding to off-peak periods. Over the last few years, however, 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 peak energy costs fall due to the increase in production from non-programmable renewable sources (photovoltaic and micro production plants).

The electricity bill sums together these three cost components:

- sales service, which includes sales costs, costs incurred for the purchase of energy and for the dispatching service, which ensures the balance between electricity supply and demand at all times;
- grid services: this macro component includes transport, distribution and metering costs and system charges, to cover the service for transporting electricity on the national transmission and local distribution grids through to the meter;
- taxes: the excise applied to the quantity of energy consumed, and VAT.

The system charges were defined by implementation laws and ministerial decrees, most significantly: Legislative Decree no. 79/1999, Decree of the Industry Minister of 26 January 2000 to identify general charges relating to the electricity system, Law 83/2003 and Law 368/2003. The highest cost component for final customers (equal to 76% of overall system charges) promotes the production of energy from renewable and similar sources through an incentive system which guarantees a certain amount of compensation for energy produced and grants special conditions for the connection of the plants to the networks. This size of this component has constantly increased in recent years due to the increase in production from renewable sources and the costs for adapting the network to these sources.

Also for the online bill, as an alternative to the protective economic conditions, residential customers and small businesses may choose from various solutions in Hera Comm's portfolio of free market offers. With the "Giorno Hera" offer customers can take advantage of a fixed, regular rate, helping them avoid high peaks in spending during the year. Meanwhile, the "Prezzo Netto" offer links the cost of the energy component to the wholesale electricity market. With the Prezzo fisso offer, the energy component remains fixed for 24 months (after which the price varies automatically depending on the performance of the wholesale electricity market).

Hera Comm also informs domestic customers of the advantages of the offers presented on the free market through a comparative sheet with the estimated spending according to the economic conditions of the service subject to protection defined by AEEGSI. The comparative sheets are drafted in accordance with the criteria established by the Authorities (Arg/com resolution 104/2010) and are available on the Hera Comm website.

Water service bill

Euro	2013	2014	2015
Aqueduct	94.42	100.61	104.84
Sewage	28.02	29.83	30.87
Purification	71.47	75.64	78.09
Fixed quota	17.70	18.80	19.32
VAT (10%)	20.59	22.49	23.31
Total	232.21	247.37	256.44

Attributable to Hera:
91% of the total bill

Weighted average for a residential customer (family of 3) with consumption of 130 m³ of water a year, considering the bills in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena, Padua, Pesaro, Ravenna, Rimini and Trieste. The grey areas refer to tariff components not attributable to Hera.

The average bill of a residential customer with consumption of 130 m³ of water a year went from Euro 232.21 in 2013 to Euro 256.44 in 2015: there was a 3.7% rise in the last year, coinciding with a sector inflation rate of 7.4% (source Istat).

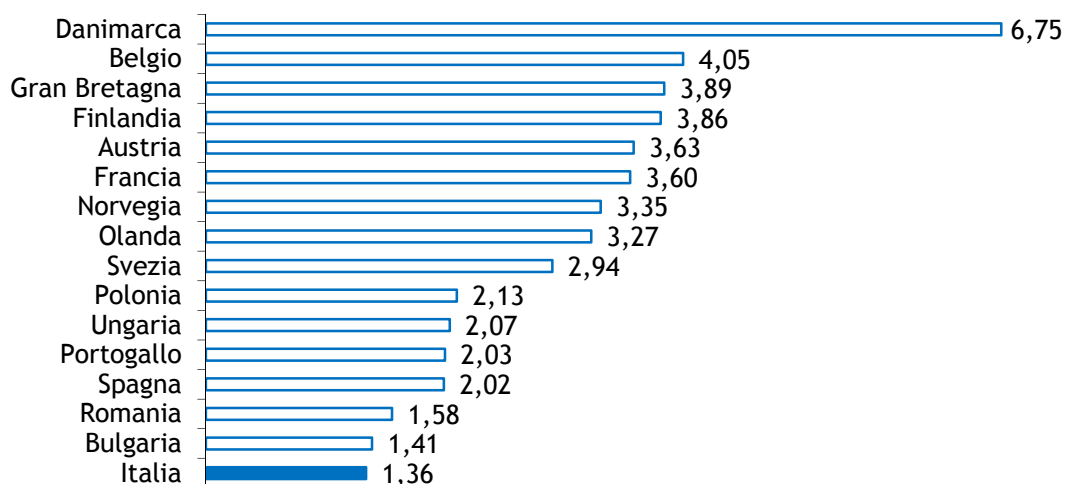
Since 2012, AEEGSI has been responsible for the regulation of the water service. The Authority set up a Provisional Tariff Method for the 2012-2013 period and a definitive tariff method for 2014-2015. The 2012-2013 tariffs proposed by ATERSIR to AEEGSI, based upon on the Provisional Tariff Method, were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

In 2014 the tariffs also included the 2013 components recognised by AEEGSI with the resolution of 6 March 2014. The components were considered in the years of reference to correctly represent the evolution of a standard customer's bill in the three years under examination. The quotas were considered in the years of reference. For this reason, the 2013 bill was updated with the attributable amount invoiced to customers in 2014.

The cost of water in Italy and Europe

In 2013 the International Water Association carried out research into the water rates applied in 160 cities in 36 countries. In the 104 European cities the annual consumption of 200 cubic metres a year varies from between Euro 1.36 and 6.75 per cubic metre. Italy has the lowest cost with Milan, Naples, Rome Turin, and Bologna (Euro 1.8 per cubic metre) the cities considered by the analysis.

Average cost of water in Europe (euro per cubic meter)



According to the Integrated Water Service Dossier published by Cittadinanzattiva in 2015, the average cost in Italy for the consumption of 192 cubic metres of water is Euro 1.73 per cubic metre. In the provincial capitals served by Hera this cost is slightly higher (Euro 2.18), but still 18% lower than the weighted average (Euro 2.66 per cubic metre) of the main European cities analysed in the report published by the International Water Association.

Average expenditure on the integrated water service varies in the areas in which Hera operates according to the industrial cost structures in the various local areas: the differing quality of the water at source, the proximity of the withdrawal source used and the investments made all have an impact on spending. The regulation by AEEGSI and the tariff mechanisms it has identified have made it possible to continue to guarantee considerable investments, particularly in sectors with greater environmental impact, such as sewage-purification decontamination.

In 2014, the portion of the tariff intended to cover the investments made and repay capital invested was 28% of the tariff, while the remaining 72% went to cover 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

AEEGSI took over the regulation of the water service in 2012, leading to a break from the previous national and regional regulations. AEEGSI's main objectives are to promote investment and pursue efficiency and economic and financial balance, and in line with these goals it approved a tariff method that respects the outcome of the referendum and eliminates return on invested capital from the calculation of the tariff. Also in compliance with the provisions of EU law, the Authority provides for the coverage of operating costs, amortisation, financial charges and taxes.

In accordance with the provisions of AEEGSI, 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 return on invested capital for the period 21 July - 31 December 2011, as calculated by ATERSIR. With regard to the Emilia Romagna area served by Hera, the established amounts came to Euro 5 million overall. Hera proceeded to reimburse users in 2014.

In 2015, AEEGSI defined the new tariff method for the second regulation period 2016-2019 (resolution 664/2015/R/idr). Aspects related to the quality of the service were introduced: in particular, sanctions were introduced for operators whose performance levels come below those established by the Authority, which has also introduced a reward scheme for the most virtuous operators. Furthermore, the new tariff method promotes the integration of management bodies and the recognition of environmental and resource costs: a specific tariff component was introduced for costs related to specific water resource protection measures. As well as this, the Authority measure also tends to simplify the charges made to the final customer to ensure greater standardisation with regard to tariffs.

Expenditure for waste collection and disposal

Euro	2013 Tares	2014 Tari	2015 Tari
Fixed quota	96.61	102.21	103.89
Variable quota	92.63	92.68	93.40
Fixed and variable quota not attributable to Hera	24.56	31.59	30.11
Additional province charges	10.76	11.32	11.37
VAT (10%)	2.99	-	-
Total	227.54	237.80	238.78

Attributable to Hera: 83% of the total bill

Weighted average for a customer corresponding to a family of 3 living in an 80 m² flat, considering the areas served in the municipalities of Bologna, Ferrara, Forlì, Imola, Modena,

Padua, Pesaro, Ravenna, Rimini and Trieste. The data do not include the increase for indivisible services. The grey areas refer to tariff components not attributable to Hera.

A family of 3 people living in an 80 m² flat paid approximately Euro 239 for waste collection and disposal: an increase of around Euro 1 (+0.4%) compared with 2014. The increase has therefore fallen compared with 2014. 17% 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).

A Waste Tax (TARI) was introduced in January 2014 in both the municipalities where the Environmental Hygiene Tariff (TIA) was applied and those where the Tax on Waste and Services (TARES) was applied. The new tax has to ensure full coverage of costs relating to the waste management service, which includes the sweeping and washing of roads, rubbish collection and transportation, separate waste collection, waste treatment and disposal, and administrative costs. The Municipalities can entrust collection of the tax to the waste service operators. Such a choice was made by 53 Municipalities.

The estimate of the portion of the 2014 TARI bill shown in the table attributable to Hera does not include the VAT charged by Hera to the Municipalities for urban waste services and for the TARI tax collection service assigned to Hera, or other TARI items not attributable to Hera.

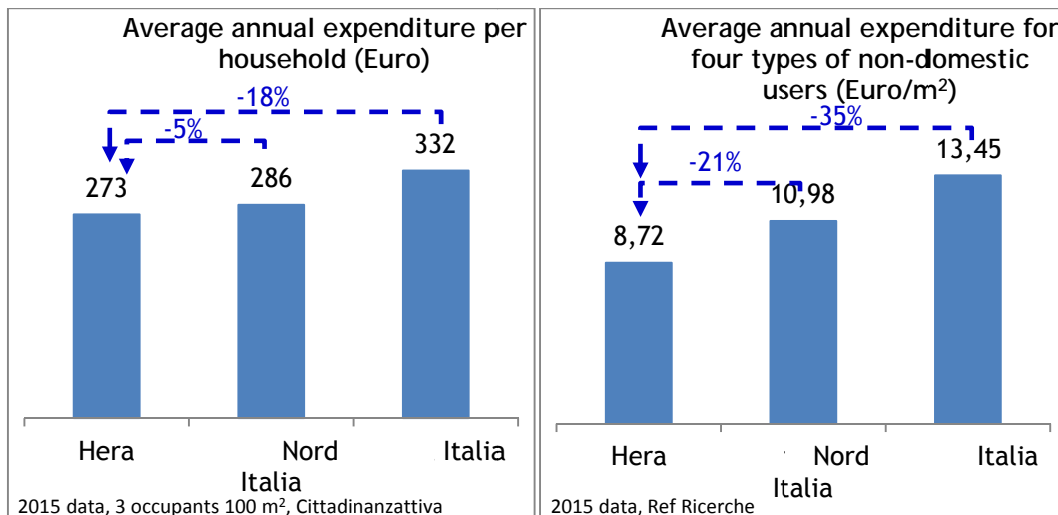
According to the national tariff method for defining urban waste management service tariffs, the tariff must fully cover the costs of the service. In addition, it must ensure a fair return on the capital invested by the operator in order to provide the service. In the municipalities managed by Hera service costs were 97% covered in 2014. 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 family of 3 annually disposes of 258 kilograms of waste at Separated Waste Collection Centres (paper, cardboard, glass, tins, plastic, other materials such as oils, small appliances, etc.). The average attainable discount is approx. Euro 26. This discount, added to the savings on the additional province charges, comes to 11% of an average family's spending. 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, on average, from a discount of over Euro 43 on their bills which, added to the additional province charge, represents 18% of total expenditure.

The cost of waste management services for domestic and non-domestic customers

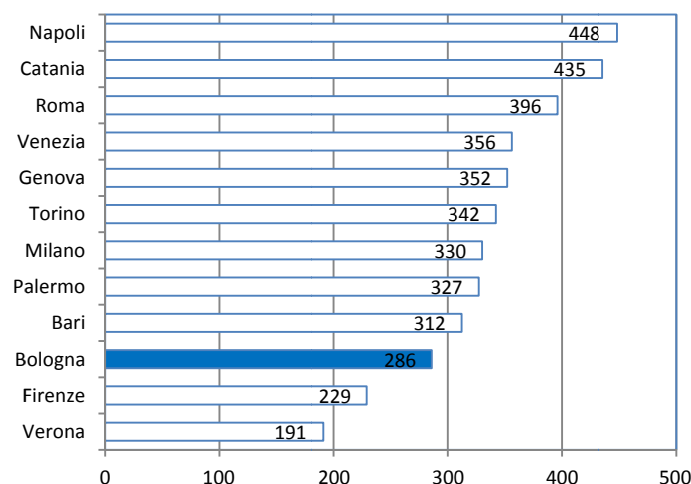
In 2015 Hera guaranteed its domestic customers waste management costs that were 18% below the Italian average and 5% lower than the average in the North of Italy: these were the findings of the Cittadinanzattiva Price and Tariff Study (Osservatorio prezzi e tariffe), which was extended to 115 provincial capitals. The Study based its findings on a standard customer consisting of a family of 3 living in a 100 m² flat.

Meanwhile, a Ref Ricerche study considered four types of non-domestic users in 84 provincial capitals. In the areas served by Hera, restaurants spend 32% less than the Italian average, hairdressers 39% and offices and the food sector 38%. For the same types of non-domestic users, the tariffs in the areas served by Hera are, respectively, 25%, 20%, 9% and 9% cheaper compared with the average in Northern Italy. According to the average of the four types of users considered by the research, the areas served by Hera are the most competitive with spending 35% below the Italian average and 21% below the average in North Italy.



Cittadinanzattiva's 2015 report also compares the 2015 urban waste service in the Italian provincial capitals. In terms of large-sized municipalities (over 250,000 inhabitants), with a TARES of Euro 286 Bologna is one of the least expensive cities.

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

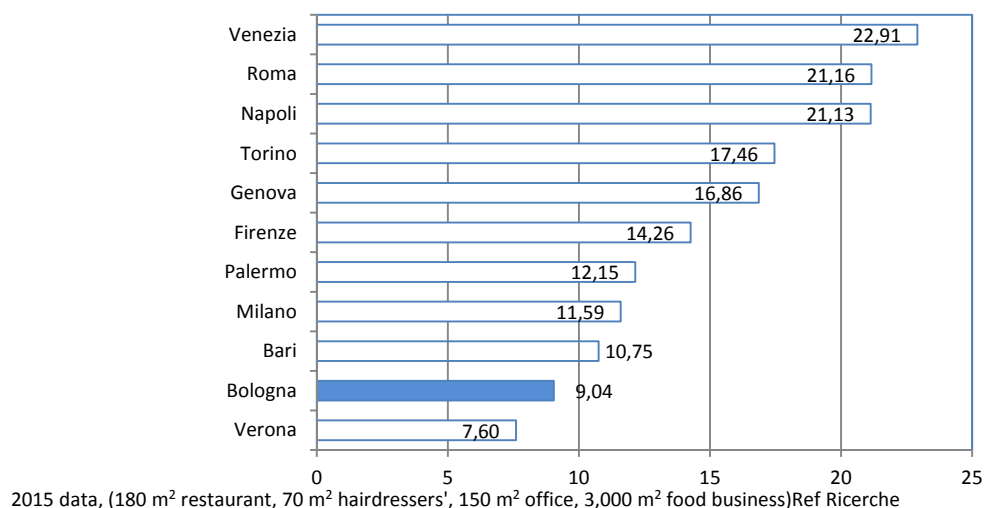


2015 data, 3 occupants 100m² Cittadinanzattiva

The 2015 Ref Ricerche report also compares the cost of the urban waste service for non-domestic customers in Italian provincial capitals with more than 250,000 inhabitants. Of these, with Euro 9.04 per square metre Bologna boasts one of the

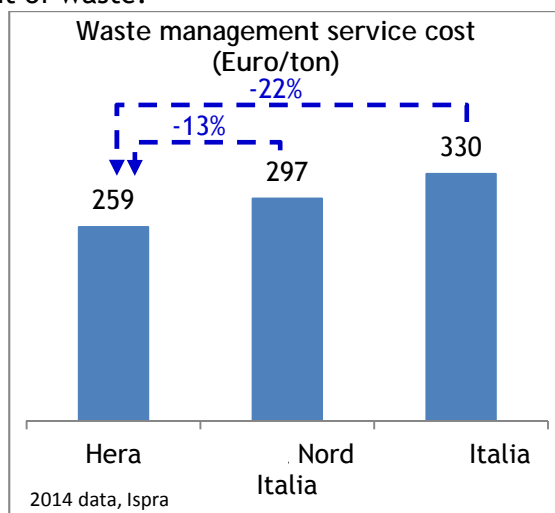
lowest average spending levels for the 4 types of non-domestic user considered by the study.

Waste management expenditure for a non-domestic user in cities with over 250,000 inhabitants (Euro/m²)



The cost of the waste management service

Hera has lower costs compared with the rest of Italy also as regards the cost per ton of treated waste: -22% lower than the Italian average and -13% lower than that of Northern Italy (2014 data from Ispra). This result is also a consequence of the higher assimilation of waste, which allows the fixed costs of the service to be spread across a larger amount of waste.



The district heating bill

Euro	2013	2014	2015
Meter rental	26.64	26.64	26.64
Variable quota	1,160.85	1,077.66	1,032.00
VAT 10%/22%	118.75	110.43	105.86
Total	1,306.24	1,214.74	1,164.5

Weighted average for the consumption of 1,200 m³ of methane gas measured at the meter, on the basis of the volume served in the municipalities of Bologna, Cesena, Ferrara, Imola and Modena at the monomial domestic tariff: 68% of Hera customers fall into this category and it represents 40% of domestic volumes sold. The bill for Ferrara, one of the five considered for the average, 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.

New price offers are being prepared for 2016 and will make district heating even more economical compared with other energy carriers.

The savings that can be made using district heating are clear if you compare the overall average spending of a family with the cost of a methane gas installation. The methods and the figures included in the expenditure comparison calculation were certified by Price Waterhouse, 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: in Ferrara and Granarolo savings are higher because of the tax incentive obtained thanks to the prevalent use of renewable energy. The savings made compared with gas are also due to the fact that district heating has lower accessory charges for the management of the installation. Accessory costs for district heating come to Euro 45, while for gas they come to Euro 312 per year and consider the annual quota for the purchase of the boiler and related ordinary and extraordinary maintenance costs.

The expenses incurred by a household in 2015 for district heating were 4% lower than in 2014.

Tariffs for families with financial and physical difficulties

The social bonus is the benefit that reduces the spending of some categories of domestic customers for the supply of electricity and gas. Domestic customers with an ISEE (Equivalent economic status indicator) of no more than Euro 7,500 (electricity bonus) and customers whose household includes a seriously ill person reliant on electronic medical devices (physical difficulty) can access the bonus. The bonus is available to families with more than three children if their ISEE indicator does not exceed Euro 20,000, as defined by the Italian Government and established by Interministerial Decree 28/12/2007. For families experiencing financial difficulties, the electricity bonus ensures annual savings of between Euro 72 and Euro 156. In the case of families with physical difficulties, it guarantees annual savings of between Euro 177 and Euro 639. The gas bonus is determined each year by the Authority and varies according to climatic area: it generates savings ranging from a minimum of Euro 35 to a maximum of Euro 318. The bonus can be requested by all domestic customers who use natural gas with a direct supply contract or through a condominium system.

Gas and electricity bonuses issued

	2013	2014	2015
Number of bonuses issued	44,005	50,306	55,204
Value of bonuses issued (thousands of Euro)	4,436	5,778	5,735

Excluding AcegasApsAmga for 2013 and Hera Comm Marche for 2013 and 2014

In 2015, 55,204 gas and electricity bonuses were issued to Hera customers for a total of almost Euro 6 million. On a like-for-like basis, compared with 2013 there has been a 5% increase in the number of bonuses issued and a 6% reduction in the total amount issued.

As for the water service, 509 benefits were granted to large families in the areas of Modena (only in municipalities where the per capita tariff is not applied), Ferrara, Ravenna and Rimini in 2015. The Emilia-Romagna Regional Authority has standardised the management of bonuses right across the area served by Hera, approving the Regulation for the allocation of tariff benefits for vulnerable users of the integrated water service (resolution no. 38 of 29 July 2014). The tariff benefits relating to 2013 and 2014 were paid out in 2015 for a total of Euro 2.3 million.

Regarding waste management services, parties experiencing serious social/assistance difficulties may be totally or partially exempt from paying TARI. It is the Municipalities that allocate the funds for these benefits according to the income of the applicants. In some areas there are also reductions 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 hardship

Hera allows customers in financial difficulty to pay their bills in instalments. Households facing financial hardship (that are not behind with any payments, including instalments previously granted) are allowed to pay their bills in three instalments, with the application of an interest rate (equal to the official reference rate at which the European Central Bank grants loans to other banks and equal to 0.05% at the end of 2015) increased by 3.5%. In certain cases of financial hardship (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 the reduction or termination of their work) the instalments are extended to 6 months interest-free. In addition, in cooperation with social workers, the number of instalments may be extended to nine. This procedure is also applied to professionals and small condominiums.

Businesses can also request to pay in instalments which Hera grants on similar conditions following checks on their level of solvency.

In 2015, over 164,000 instalment plans were granted to the Group's residential customers, an increase of 12% compared to the previous year (-12% in terms of the value divided into instalments due to the lower cost of bills as a result of seasonal trends). The number of instalment plans granted to business customers (approximately 6,000) fell by 15%, with a 9% drop in overall value compared to 2014. These variations are the result of the increase in requests for instalment plans and lower bills due to seasonal trends.

Number and value of bills paid in instalments

	2013	2014	2015
Number of bills paid in instalments	166,603	146,687	164,346
Value of bills paid in instalments (thousands of Euro)	171,702	133,969	119,429

Excluding AcegasApsAmga.

In all the local areas managed by Hera there is a well-established relationship with Municipalities' social services and with welfare institutions in support of customers facing financial hardship. In some areas protocols have been signed with the Municipalities and other local authorities to formalise the collaboration between Hera and social services in order to reduce the social and financial hardship of families, prevent the suspension of services and the increase of penalties with a consequent increase in management costs, and guarantee the solvency of Hera's credits also through negotiation or instalment plans more favourable than those provided for by the regulations.

By way of confirmation of the above, in 2015 the following protocols were signed in the areas served by Hera:

- in May a trial agreement with the Municipality of Modena was formalised;
- in November the Protocol with ASP (Agency for Services to Citizens) of Ferrara, which includes the Municipalities of Ferrara, Masi Torello and Voghiera, was signed;
- in December the Protocol for the definition of action to support the Municipalities of Ravenna and Russi, the Municipality of Cervia, the Union of Municipalities of Lower Romagna and Hera was signed.

These new protocols join the existing ones signed with the Province of Forlì-Cesena and with the Municipalities of Forlì, Cesena and the Union of Municipalities of the Rubicone (which in 2015 witnessed the strong consolidation of its lists of "protected" customers, which reached 1,700 units), with the Municipality of Trieste, the Municipality of Imola and ASP Circondario Imolese and with the Municipality of Padua.

Given the positive effects these partnerships have had, such collaborative protocols will be proposed to other authorities in 2016.

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. 923 applications were submitted in 2015 (934 the previous year) amounting to Euro 128,000. 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. In cases of debt under Euro 250, if payment is not made the supply is suspended, on average two months after the bill expires. If the bill comes

to more than Euro 250, a single reminder is sent by registered mail warning the customer that their service risks being suspended. In this case the service could be suspended around a month after the bill's expiry date. In the period preceding the suspension of the service, the customer may request to pay the bill in instalments. If the suspension involves condominium users, Hera will inform residents individually before suspending the service.

In the areas managed by Marche Multiservizi, the procedures adopted comply with the provisions of the Integrated Water Service Charter and with the regulations of competent authorities in force. In these cases, a first reminder is sent 20 days after the bill's expiry informing the customer that their service risks being suspended, and an additional 10 days from the receipt of the warning is granted to make the payment. If payment is not made, the supply is suspended at least 50 days after the bill expired. In the period preceding the suspension of the service, the customer may request to pay the bill in instalments. If the suspension involves centralised condominium users, it is normal practice to inform residents individually via a warning on the notice board before suspending the service.

As regards the gas service, if it is not possible to suspend the service (e.g. inaccessible meter) an additional communication is sent to the customer to inform them that their service will be suspended (sectioning of the connection) should they fail to settle their bill by the due date. If suspension is not technically possible the vendor must ask the distributor to implement the default 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 Padua and Trieste areas in 2015.

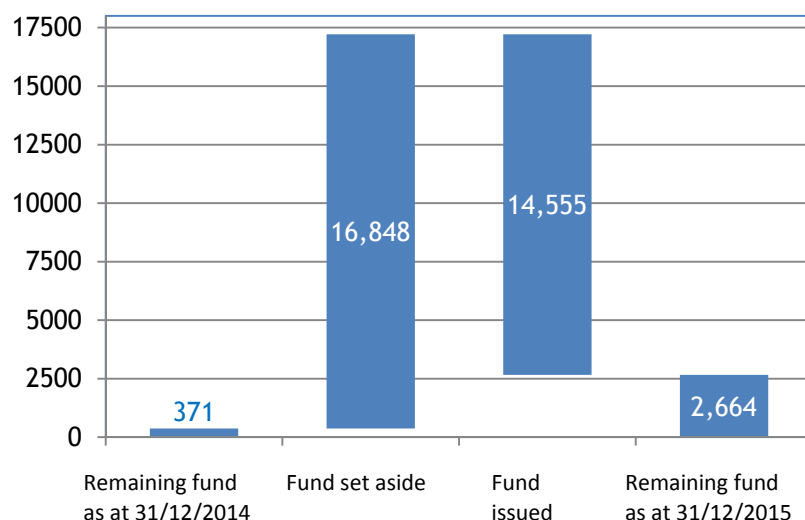
The "water leak fund"

In July 2014 Hera Spa defined a single regulation across all the areas served that sets up a "leak fund" to protect customers in the event of water leaks in the system they own, i.e. downstream from the meter. This voluntary instrument 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 is added to their bill, customers who take up the offer can receive, in the event of water leaks, reimbursement for the entire amount corresponding to the volumes that exceed their usual average consumption by 80%, 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 "leak fund" is exclusively designed to cover the additional costs incurred by customers that have a water leak.

Leak fund year 2015 (thousands of euro)



Leak fund and beneficiary customers

	2014	2015
Funds issued (thousands of Euro)	6,536	14,555
Number of beneficiary customers	5,401	11,033
Average reimbursement (Euro)	1,210	1,320

The fund presents a positive balance as at 31 December 2015 of around Euro 2.7 million, approx. Euro 370,000 of which resulting from the residual sums as at 31 December 2014. The interest on the monthly balances of the fund set aside, calculated according to the legal rate in force, amounted to around Euro 10,000 at 31 December 2015. Since being introduced, the fund has reimbursed around 16,500 families and businesses, 11,033 of which in 2015, for an average reimbursement of Euro 1,320. Only 3.2% of customers did not join the “leak fund” with differences across the areas ranging from a minimum of 0.9% in Rimini to a maximum of 5% in Modena. The number of withdrawals gradually fell during 2015.

The end of year balance, although quite significant (+ Euro 2.7 million) thanks in particular to the lower number of withdrawals than forecast, is the result of the fluctuating trend as regards reimbursements, influenced in turn by climatic events, particularly those of the summer. As of September 2015, following a particularly dry summer, a factor which notoriously impacts on the tendency of underground pipes to break, there was a significant increase in the number of reimbursement requests. With this in mind, it is necessary to wait until the leak fund has been active for at least two years (June 2016) to assess the need for measures as regards the size of membership, the excesses and the limits of liability applied.

The “Water Leaks” policy is also in force in AcegasApsAmga areas. With a contribution of Euro 6.30 a year for domestic users and Euro 11.50 for non-domestic users, it protects customers from the additional costs that may derive from water leaks in pipes downstream from the meter. Since 2013 there have been around 1,400 claims of this type for reimbursements totalling around Euro 2.8 million.

Service quality

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

Electricity and gas

The 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. Automatic compensation varies from Euro 24 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.

The specific quality standards for the distribution service include, in particular, 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 646/2015/R/Eel).

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, Padua 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 basic 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 Padua, 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

%	2013	2014	2015	Number of services provided (2015)
Gas	99.4%	99.7%	99.7%	1,778,438
Electricity	97.4%	97.0%	98.1%	55,331
Integrated water service	99.3%	99.4%	99.5%	131,775
District Heating	99.3%	99.2%	99.8%	585
Total	99.3%	99.6%	99.6%	1,966,129

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 for 2014: 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 the 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 2015.

Compliance with specific gas and electricity quality standards

%	2013	2014	2015	Number of services provided (2015)
Gas sales	98.4%	98.1%	97.5%	15,984
Gas distribution (final customers and sales company)	99.4%	99.7%	99.7%	1,762,454
<i>Total gas</i>	<i>99.4%</i>	<i>99.7%</i>	<i>99.7%</i>	<i>1,778,438</i>
Electricity sales	97.3%	98.3%	98.5%	425
Electricity distribution (final customers and sales company)	97.4%	96.8%	98.4%	54,906
<i>Total electricity</i>	<i>97.4%</i>	<i>97.0%</i>	<i>98.4%</i>	<i>55,331</i>
Total	99.3%	99.6%	99.6%	1,833,769
<i>Of which gas and electricity distribution</i>	<i>99.3%</i>	<i>99.6%</i>	<i>99.6%</i>	<i>1,817,360</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.

As regards the individual services, in almost all cases the figures were largely consistent with the timeframes recorded in 2014. In particular, this year there was a positive trend with regard to some highly subscribed gas services such as the provision of estimates for simple works (from 96.2% to 97.0%) and the activation of electricity supplies (from 95.6% to 92.2%). Two gas services displayed a negative trend: the execution of simple works (from 95.4% to 92.2%) and the provision of estimates for complex works (from 98.7% to 96.2%). There was a slight downturn in the trend relating to the response to claims for both the energy and water services.

The objective for 2016 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

Important new developments regarding the collection of readings were addressed in 2015. New developments stemming from the new AEEGSI gas metering regulation and added to the plan for the new service contract for manual readings active from 1 January 2016.

As regards the regulation, with resolution 117/2015/R/gas AEEGSI changed the frequency of readings, including a four-monthly reading, and the concept of relevant collection periods. In response to this resolution, the Hera Group presented an improvement plan, approved by AEEGSI, with the aim of maintaining the benefits introduced by the new regulation and, at the same time, optimising reading loads throughout the year and safeguarding, as far as possible, the multi-service reading method for which it is known.

To this end, from 2016 the new reading plan involves:

- four attempts to take a reading each year for all customers with annual consumption between 501 and 5,000 cubic metres instead of the two required for customers with annual consumption between 501 and 1,500 and the three readings required for customers with annual consumption between 1,501 and 5,000.
- two attempts to take a reading each year for all customers with annual consumption between 0 and 500 cubic metres instead of the single reading required.

In this way, the reading schedule will make it possible to increase the number of readings taken by the distributor, which will benefit the sales companies who can use them to improve the quality of their invoices (fewer forecasts of consumption). It will also make it possible to combine the reading attempts made by the various services managed, reducing the number of times it is necessary to access the customer's home.

As regards the new contract, the efficiency and strengths of the previous contract have been maintained, notably increasing the use of photographic documentation of attempted readings in order to improve the quality of the data collected. Particular attention has also been focused on increasing the effectiveness of the auxiliary details collected during the reading process, as regards both the condition of the meter to support maintenance activities and more accurately specifying its position and access method to maximise its readability in the future. The incentive and sanction system related to performance levels was also reviewed and refined with the aim of contributing to increasing the number of readings taken.

Initiatives for improving invoice quality

When invoicing energy services, Hera Comm uses the data received from the distribution companies on the levels of consumption measured and the self-readings taken by customers and validated by the distribution companies.

For electricity, the dissemination of remote-controlled electricity meters helps to provide accurate readings in line with the customer's real consumption levels. As for the measurement of gas consumption, the percentage of electronic meters is still negligible (at the end of 2016 the number of electronic G4-G6 class meters installed will represent around 15% of the total) even if AEEGSI has planned for the gradual installation of meters that can be managed remotely.

As such, in the gas sector consumption estimates are still essential and it is in this area that Hera Comm is working to make these estimates as close as possible to the customer's real consumption levels.

The following measures have been identified in order to improve the quality of invoices:

- increase the number of channels through which to collect real measurements: As well as the service for submitting readings online and via SMS, it is also possible to submit self-readings via the Hera Comm automated telephone service. In addition, a multi-service app is being developed which, as well as offering similar functions to those of the Online Services, will also make it possible to submit self-readings using mobile devices. In the last three years, the number of customers that took at least one self-reading increased by 16%;
- optimisation of the mechanisms for estimating gas consumption: a trial project was launched which involves the modulation of estimates on the basis of the real temperature trends of the current year. A statistically significant sample of domestic customers, evenly distributed across various geographical areas served by Hera Comm, was identified; each month, the distribution company is asked for the real readings relating to these customers and these data, in turn, are used to correct the forecast mechanisms for customers with the same characteristics as those of the sample. The aim is obviously to acknowledge the temperature trends of the current year and consequently modify the sum of the down payments so the amount paid by customers reflects their real consumption levels as closely as possible. This project is even more important when one considers the variability of the average monthly temperatures recorded in the last few winters.

As well as these initiatives, the Hera Group constantly monitors the efficiency of its invoicing systems and manages their maintenance and development in line with current technology, regulatory and management requirements with the aim of guaranteeing quality services to the final customer.

Quality of drinking water

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

In 2015, a total of 347,518 analyses were performed by the Group laboratories on drinking water, amounting to approximately 950 per day. Of these, 58% 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 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?

As well as benefiting the environment, consuming tap water instead of mineral water also generates 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, yearly spending on mineral water comes to around Euro 300 a year. The cost for the same quantity of mains water, meanwhile, is Euro 1.97 a year (calculated as the 2015 average of the bills in the nine main cities served by Hera). Italy is third in Europe with regard to the consumption of bottled water with 196 litres of water consumed per capita in 2013 (Source: International Bottled Water Association 2014).

Water quality also means controlling the effectiveness of the treatment processes. For example, chlorites and trihalomethanes are searched for, which result, respectively, from the use of chlorine dioxide and sodium hypochlorite as disinfectants. The concentration of chlorites and trihalomethanes in the distribution network is kept under constant control in line with the legal limits.

Since 2008 the average data recorded for the pH, total hardness, dry solids at 180°, chloride, fluoride, sodium, nitrate, nitrite and ammonium parameters are published on the Group's website, listed by individual municipality, and updated every six months. Since 2012 this set of parameters has been extended to include four others: 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 used to draw comparisons with the quality of bottled water on the market.

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

Since January 2009, all 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 this company, and Hera's involvement in its quality is limited to managing the supplementary disinfection networks and stations along the distribution networks.

Quality comparison between water distributed by Hera and commercially available mineral waters

	Mineral waters (min-max)	Tap water limits Leg. Dec. 31/2001	Bologna	Ferrara	Forlì-Cesena	Modena	Padua	Pesaro-Urbino	Ravenna	Rimini	Trieste
pH	5.8-8.0	6.5-9.5	7.6	7.8	7.8	7.7	7.5	7.8	7.9	7.8	7.7
Hardness (°F)	0.9-83	50*	32	22	28	35	24	28	25	27	18
Dry solids at 180°C (mg/l)	22-860	1,500*	411	281	322	547	289	409	311	321	233
Sodium (mg/l)	0.8-73.1	200	24	20	18	51	5	24	23	23	8
Fluorides (mg/l)	0.03-1	1.5	0.11	0.12	0.14	<0.10	0.20	0.19	0.11	0.14	0.0
Nitrates (mg/l)	1-9	50	8	7	7	19	14	7	5	8	8
Chlorides (mg/l)	0.8-81	250	31	27	22	87	8	29	30	27	13

* Recommended values

Comparison carried out with the data provided on the labels of 13 widely available mineral waters. The data on the drinking water refer to the average values of 18,542 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 distributed drinking water, 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, fluorides, nitrates and chlorides. The parameters chosen to measure the quality of distributed water refer primarily to the importance of distributing drinking water that contains a suitable amount of mineral salts.

In 2015 the average values for Hera water were once again comparable with those of commercial mineral waters and no exceptions were granted as regards compliance with the limits set forth in Legislative Decree no. 31/2001. The quality characteristics of the water distributed in the areas managed by Hera are stable 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 2015 a total of 51,221 analyses were performed. Of these, 99.7% produced results that complied with the legal limit, demonstrating stable levels of quality with respect to the previous year. In cases where even one parameter does not comply, Hera immediately carries out measures to restore the water to compliant levels (washing of pipes, controlling disinfection etc.) also based on the indications of the Local Health Authorities. For hygiene, health and public safety reasons, the Municipality may issue an order declaring that the water is not fit for drinking for specific periods of time. In these cases, the use of water for cooking and drinking may be prohibited or particular precautions may need to be adopted (e.g. boiling water if the cause is related to non-compliant microbiological indicators) while, as a rule, it can continue to be used for all other purposes.

In the areas managed by Hera Spa, 4 orders referring to unsuitable drinking water were issued by mayors in 2015, affecting 780 users for an overall period of 240 days. The 4 orders were made in the province of Bologna and more specifically:

- one order regarded the village of Berzantina in the municipality of Castel di Casio and affected 300 citizens for 8 days;
- two orders regarded an area of the municipality of Porretta and affected 380 citizens for 29 days;
- one order regarded the municipality of Castello d'Argile and affected 100 citizens for 203 days.

In the area managed by AcegasApsAmga there were no orders issued by mayors regarding the unsuitability of drinking water while in the province of Pesaro Urbino 38 orders were issued involving over 5,000 citizens. The number of citizens involved is nonetheless down compared with 2014 (16,000) as the orders almost exclusively related to small municipalities or small areas of more populated municipalities. In almost all cases the unsuitable drinking water orders are related to problems at the disinfection plants of small aqueducts where, due to the low flow rates and localisation in isolated areas, monitoring and regulation is generally more difficult. The total number of orders and their duration remained largely stable.

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. Widely used in construction and other industrial sectors up to the end of the 1980s, asbestos 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, current legislation 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, 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". The WHO reiterated this stance in the 2011 update of its Guidelines on drinking water quality (fourth edition-World Health Organisation). European and Italian legislation is aligned with the position of the WHO and does not set limits for the eventual presence of asbestos in water destined for human consumption. In 2015 the Italian National Health Institute (Istituto Superiore di Sanità) once again reiterated these positions in one of its communications which, among other things, asserts that: "On the basis of our current knowledge and the conclusions of the international institutions of reference, the water situation must not be regarded as an imminent risk for public health either in terms of eventual fibres ingested or as regards concentrations potentially transferred from the water to the air".

In the same communication the Italian National Health Institute indicates that the only reference limit is that defined by the US EPA (Environmental Protection Agency) of 7 million fibres/litre for fibres of a length of > a 10 mm.

In terms of monitoring, Hera carries out regular checks on the eventual presence of asbestos fibre in the water it distributes and the level of maintenance of the pipes. Since 2003, every year Hera has drafted and applied a specific Asbestos Control Plan which outlines the details of the most representative sampling points with regard to the eventual presence of asbestos cement, the frequencies and the analytical parameters to subject to analysis. The controls carried out showed a complete absence of fibres in almost all samples; only in a few cases (7 out of 180) were fibres

with maximum values 200 times below the aforementioned EPA limit identified. In most cases, the water distributed by Hera also has 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 2015, the electricity distribution grids managed by Hera Spa distributed approximately 2,226 GWh of electricity to around 260,000 users in 24 municipalities of the Emilia-Romagna region belonging to the provinces of Bologna, Modena and Ravenna. These were joined by the approx. 162,000 users served in the Trieste and Gorizia areas.

The total length of the electricity grids managed by Hera in Emilia Romagna amounts to 10,130 kilometres, 73.3% of which low voltage, 26.4% medium voltage, and 0.3% high voltage. 41.7% of the lines are underground, and the rest are overground lines. Following work carried out in 2015, the medium and low voltage distribution network was expanded by 0.2% compared to 2014. The extension of the high voltage grid remained unchanged.

The physical and administrative losses recorded in the distribution grid came to 3.2%. No accidents involving citizens occurred in relation to the electricity grids managed by Hera in 2015. With regard to network losses, in 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.

In 2015, supplies relative to electricity grid management and maintenance activities required around 6,910 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 adopted a documentation system consisting of procedures and operating instructions which specify the criteria, the methods, the roles and the responsibilities for emergency measures, emergency management and the supervision of service interruptions.

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

This text also identifies the indicators for measuring interruptions, the monitoring systems and the reference standards.

The indicators related to interruptions originating in the medium and low voltage grids regard:

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

With regard to the regulatory period 2012-2015, the Hera Group has approved the reduction of interruptions 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 (ARG/elt resolution 311/2012) for each local area served by Hera.

Continuity of the electricity service

	2014	2015	2014-2015 average	2015 trend level
Average number of interruptions per customer in high concentration areas	1.10	1.17	1.14	1.20
Duration of interruptions (minutes) per customer in high concentration areas	11.86	10.26	11.34	28.00
Average number of interruptions per customer in medium concentration areas	2.33	3.67	3.01	2.25
Duration of interruptions (minutes) per customer in medium concentration areas	29.23	52.45	43.84	45.00
Average number of interruptions per customer in low concentration areas	4.55	5.17	4.86	4.80
Duration of interruptions (minutes) per customer in low concentration areas	48.18	65.92	57.05	68.00

The average figure refers to interruptions to the low voltage service, without advanced notice and due to causes that are the responsibility of the operator. The interruption duration minutes refer to interruptions lasting more than 3 minutes. The 2015 trend level is the objective of the indicator for 2014-2015. The trend level for the number of interruptions in low concentration areas is 4.30 for Imola-Faenza and 4.93 for Modena compared to the final values of 2.53 and 5.47.

In 2015 there was an improvement in the data on the continuity of the electricity services in all areas served right across all concentration levels with the exception of low and medium concentration customers in the Modena area. These customers were negatively impacted by long electricity service interruptions caused by heavy snowfall in February, which particularly affected the Modena area and damaged supports and medium and high voltage overhead lines; these events are also reflected in the data reported in the table above. In any case, Hera reacted quickly to the events of February, implementing all of the measures listed in its Emergency Plan and resolving the most critical issues in quick time. The effectiveness of Hera's actions was recognised by AEEGSI in resolution 644/2015/E/eel following the investigation carried out on the distributors involved in February's atmospheric events.

In the Trieste and Gorizia area the results achieved were optimal compared with the established objective levels and significantly down compared with the values recorded in 2014.

In 2014, Group outages were 32% lower than the national average as regards duration and 42% lower in number (source: AEEGSI Annual Report).

With a view to reducing the number of interruptions and electricity requirements relating to 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 June 2015 the Petersen Coils installed in the main station of Spilamberto were activated. Interventions will continue to be carried out in 2016 in the main stations and on the electricity grids in order to improve the continuity and reliability of the electricity distribution service.

In 2014, resolution 534/2015/R/eel awarded Hera an overall incentive related to the continuity recoveries of the electricity distribution service equal to around Euro 369,000 and penalties of around Euro 139,000 were deferred to the following year. By 30 November 2016 the Authority will publish the results achieved by the distribution companies in 2015 which, for Hera Spa, are expected to equate to incentives of around Euro 78,000. AcegasApsAmga takes part in the incentive and penalty system for continuity recoveries related to the electricity distribution service: in 2014 it was awarded an incentive of Euro 200,000.

The number of requests for active connections to the distribution grid managed by Hera Spa increased significantly between 2007 and 2012, going from 83 in 2007 to 1,559 in 2012. In 2015, the conclusion of the renewable source incentivisation mechanisms confirmed expectations with a further fall of around 16% compared with 2014 (476 requests in 2015 compared with 571 in 2014 and 953 in 2013). The total input power requested for the connection of production plants was 12,055 kW, up compared with the 8,529 kW of last year; average power per unit increased from 7 to 11 kW.

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.

Resolution 574/2013/R/Gas, which regulates the quality of the gas distribution service, has further increased the safety standards for the current regulatory period (2014-2019). This rise was largely in line with the previous standards observed by Hera and the company's mid- and long-term goals. The changes to the regulations did not therefore have any particular impact on Hera or any significant negative impact on the continuity of its goals and activities. More specifically, the resolution introduced more stringent obligations regarding the inspection of networks, odourisation and incentives to upgrade the odourisation systems.

Since 2009, Hera Spa 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 since 2010 Hera has been required to participate in the system, which assesses four elements:

- compliance with service obligations, absence of gas accidents falling under the responsibility of the operator, absence of breaches in this area connected with AEEGSI controls or inspections;
- number of measurements of the level of gas odourisation carried out compared to the required minimum;
- number of conventional leaks reported by third parties compared to the objective set by AEEGSI for the same period.
- number of modernised odourisation plants (Plants with injection odourisation system in proportion to flow and remote controlled).

In 2013, a penalty of around Euro 2.3 million was recorded as provided for by resolution 236/2015/R/gas and 20/2016/R/gas, referring to the provincial areas managed in Emilia Romagna. More specifically, Hera achieved positive results for the gas odourisation component while the leaks reported by third parties' component was

negative in all provinces. Although the 2014 results have not yet been made official by AEEGSI, there is expected to be a positive balance between incentives and penalties of around Euro 3.4 million. A positive balance of around Euro 2.9 million is expected for 2015.

Gas emergency service

	2013	2014	2015
Average arrival time at the call location (min.)	34.1	35.6	35.9
Calls with arrival time at the call location within 60 minutes (%) (service obligation 90%)	98.7%	98.3%	97.7%

The positive results of the safety and continuity indicators were consolidated with the Group stably above the levels set by AEEGSI: compared to the minimum service obligation required by AEEGSI of 90%, in 2015 the Group intervened within 60 minutes for 97.7% of the 21,739 calls received (-3% compared with 2014). There was a slight decrease in some of the areas served by Hera Spa.

Inspections and leaks in the gas network

	2012	2013	2014	2015
Percentage of total high and medium pressure network inspected (service obligation 100% in 3 years)	71.8%	68.7%	56.3%	53.3%
Percentage of total low pressure network inspected (service obligation 100% in 4 years)	75.1%	80.9%	63.2%	68.9%
Number of leaks on distribution network located upon inspection per kilometre of network	0.063	0.079	0.099	0.082
Number of leaks on distribution network located upon notification by third parties, per kilometre of network	0.070	0.074	0.055	0.038

In 2015 the percentage of the grid inspected was significantly higher than the minimum standard required by AEEGSI (100% for the high and medium pressure grid in 3 years and 100% of the low pressure grid in 4 years). In fact, at Group level, the high and medium pressure grid inspected reached 53% and the low pressure grid 69%. 2015 was the second year in which the new criteria for planning and carrying out gas network inspections were applied at Hera Spa, with the objective of increasing inspection effectiveness as per resolution 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 2015, 100% of the high pressure network and 99.9% of the medium and low pressure network classified as having a high probability of leaks was inspected. The network, identified on the basis of an analysis of historic data related to leaks and an accurate mapping of the hydrogeological risk of each area in which the network is located, is equal to 1,956 kilometres, 14% of the medium and low voltage network managed by Hera Spa. In other cases, the inspection is planned every three years. Furthermore, from 2015, gas network inspections are carried out entirely by internal personnel thus ensuring a high quality service.

As of 2015 the scheduled gas leak search, traditionally applied to underground networks in accordance with regulatory provisions, was also extended to plants above ground, in particular:

- the systematic check for the absence of leaks on network elements (valves, vents, crossings etc.) is carried out during scheduled periodic operating/maintenance activities;
- concurrent with meter reading and other metering activities (e.g. activations, closures, checks on meters), an instrumental check on the absence of leaks on the overground connection and meter in question is carried out.

These operations are carried out both by company staff and external companies, guided by specific instructions, and led to the localisation of 845 leaks, 544 of which in overground connections and 301 in meters. 17% of the aerial part of the gas network was inspected in 2015 compared with the forecast of 15%.

In 2015, 38 leaks per thousand kilometres of the entire Group gas distribution network were recorded following reports by third parties, compared to 55 in 2014. Conversely, in 2015 there were 82 leaks on the Group's distribution network identified by means of inspections, per thousand kilometres of network, compared to 99 recorded in 2014.

To guarantee the Group's high quality standards, in 2015 the revamping of the fleet and the instruments used to detect gas leaks was completed, updating the analysis systems with laser technologies.

The technical call centre

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

The technical call centre service has freephone numbers for every service (gas service, integrated water service and district heating), and one dedicated to public authorities (Fire Service, Municipalities, Prefectures, Police Stations, LHA, Law Enforcement agencies etc.).

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

	2013	2014	2015
Gas	99.7%	99.2%	99.4%
Other services (water and district heating)	95.6%	96.1%	95.0%
Total	96.7%	97.0%	96.4%
<i>of which for gas emergencies (general level 90%)</i>	96.4%	96.5%	97.9%

Excluding Marche Multiservizi. The 2013 and 2014 figures do not include AcegasApsAmga.

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 technical call centre waiting times

sec	2013	2014	2015
Gas	14.0	18.0	17.0
Other services (water and district heating)	34.0	35.0	39.0
Number of calls	181,938	171,197	258,465
<i>of which for the gas emergency service</i>	<i>51,138</i>	<i>45,039</i>	<i>70,444</i>
<i>of which for other emergency services</i>	<i>130,800</i>	<i>126,158</i>	<i>188,021</i>

Excluding AcegasApsAmga and Marche Multiservizi.

In 2015 around 370,000 calls were made to the technical call centre of Forlì, an increase of 51%, on a like for like basis, compared to 2014. The main reason for the calls was the exceptional snowfall in February and the dry summer that provoked an increase in water pipe breakages.

At Group level, 97.9% 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).

2015 was characterised by the consolidation and gradual completion of the integration of the scope of activities of the technical call centre in Forlì, extended in 2015 to the Padua, Trieste, Udine and Gorizia areas. At organisational level, the reorganisation of the specialisation room and the introduction of a shift manager improved the supervision of the various processes. The introduction of interns during the summer helped manage peak periods. Furthermore, the introduction of a dynamic and precise voice message on the answer phone service at critical times, which provided precise indications on the area (road, square, neighbourhood) affected by the malfunction, made it possible to satisfactorily inform lots of customers who were not then redirected to the operator. This solution will contribute to improving the performance index which the new AEEGSI regulation has set at 90% for the second half of 2016 (using the same methods as those for the calculation of gas).

Safety downstream of the meter

With resolution 40/2014/R/gas, AEEGSI completely updated resolution no. 40 of 2004. From 1 July 2014, the obligation to validate the safety of gas plants, previously in force only for new user plants, has also been extended to modified and transformed 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.).

Because of the variation to the regulations, the reporting periods and terms have also been modified. As a result, the most recent available and certified data relate to the activities of the second half of 2014, which constitutes the first period of implementation of the new regulation also including assessments of modified plants. The safety assessment activities related to the first 6 months of application of resolution 40/2014 produced the following results: 2,508 positive assessments of new user plants and 255 positive assessments of modified or transformed plants. Although not exactly comparable with the data in previous declarations, the data relative to the assessments of new user plants appear to have fallen even further compared to the past (4,404 new user plants activated in 9 months), probably due to the ongoing recession that has had a particularly heavy impact on the construction and property sector.

On activating gas supplies, Hera carries out another key safety check: the inspection of the actual integrity of the user plant (post-meter) to verify the absence of gas leaks from the customer's plant before final activation. Also in the event of a fault downstream of the meter, if Hera emergency services locates a gas leak in the plant of an end customer, it immediately suspends the supply in order to eliminate the danger. The supply is then reactivated only after a qualified installer has fixed the plant so that it no longer leaks and issued the relative technical documentation proving the renewed integrity of the user's plant. Pursuant to resolution 191/2013/R/GAS, the new insurance for accidents caused by gas leaks has been in force since 1 January 2014 and will run to 31 December 2016. Domestic consumers can benefit from new services which can be requested following accidents or damage caused by using gas supplied by a distribution network.

Continuity of the water service

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

In 2015, 6,200 kilometres of network were inspected by the Group, corresponding to 18.1% of the total, slightly down compared with 2014 as a result of the standardisation of inspection activities in the area served by AcegasApsAmga which in 2014 had carried out extraordinary inspection activities. Meanwhile, there has been a slight increase in inspection activities at Hera Spa and Marche Multiservizi.

Continuity of the water service

	2013	2014	2015
Percentage of network subject to active search for losses	17.3%	21.0%	18.1%
Number of breakages per km of network*	1.02	0.98	1.16

* Excluding AcegasApsAmga and Marche Multiservizi; considers the number of breakages on network, connections and meters, and kilometres of network excluding connections.

The index of the status of the water network is expressed as the number of breakages per kilometre of network and increased by 18% for Hera Spa compared to last year. This increase took place in all areas and was influenced by the particularly warm and dry summer-autumn period that placed greater pressure on the networks. Around half of the breakages recorded in 2015 took place along the distribution network while the remainder occurred in connections (part of the network that connects the road network with the customer's meter).

Information security

All of the QSE commitments undertaken by Hera, which are directly connected to the principle of local and sustainable development, focus on safeguarding its information assets, one of the most critical elements of the company. For this reason, they must be managed by paying the 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;

- the annual assessment of information security risks; a specifically coded procedure is used that is shared with top management and the Risk Committee;
- the 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 the security vulnerability of the IT systems and networks.

The most significant information security-related projects in 2015 include:

- the application of special techniques and methods to test security vulnerabilities in Hera and AcegasApsAmga IT infrastructure dedicated to the remote control of electricity production and distribution plants (also, and above all, to guarantee the continuity of these services to the entire Group customer base);
- the application of the method used for analysing IT security risks also for the assessment of risks connected with the processing of the personal data (Privacy) of customers, suppliers and employees;
- the extension of the IT security guidelines reported in the Group security policy to AcegasApsAmga, as part of the project to harmonise the information systems.

Customer relations

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

In 2015 the Group's confirmed its strong commitment to making final customer management more efficient, simpler and quicker by further improving its contact channels: the call centre for residential customers, the call centre for business customers, the branches, online services and email.

Contact channels with customers

(%)	2013	2014	2015
Call centre	54.40%	53.40%	53.50%
Branches	29.20%	29.10%	28.40%
Online services	11.20%	11.90%	12.60%
Email	5.20%	5.60%	5.50%
Total	100.0%	100.0%	100.0%

Excluding AcegasApsAmga and Marche Multiservizi

In 2015 there was a slight downturn in the number of contacts from customers compared with 2014 (-1.5%) due to the improvement in the consumption estimates invoiced and greater clarity in the invoicing process. The growth of the online channel continues (+4.6% compared to 2014).

The call centre

In 2015, approx. 2.3 million calls were received at the Group call centres, 5% down compared to the previous year.

Call centre quality

	2013	2014	2015
Average waiting times at the call centre for residential customers (sec.)	51	41	38
Calls with satisfactory outcomes for residential customers (%)	91.1%	93.4%	94.7%
Number of residential customer contacts at the call centre (thousands)	2,278	2,434	2,311
Average waiting times at the call centre for business customers (sec.)	31	31	26
Calls with satisfactory outcomes for business customers (%)	94.7%	95.6%	96.3%
Number of business customer contacts at the call centre (thousands)	393	411	370

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 a request is made to talk with an operator and the beginning of the conversation. It does not take into account the initial information provided by the answer phone service. The data refer to the call centres of Hera Comm, AcegasApsAmga, EstEnergy and Marche Multiservizi.

The overall average response time for residential customers dropped to 37.5 seconds in 2015 (compared with 41.1 in 2014). There was a marked reduction for the Hera Comm call centre, which in 2015 recorded an average waiting time of 30 seconds (-10 seconds compared with 2014), while those of Marche Multiservizi, AcegasApsAmga and EstEnergy worsened slightly but were still below 60 seconds. In the Triveneto the increase in the average waiting time was due to the replacement of the information systems. The average waiting time for businesses fell in 2015 to 26.1 seconds. The percentage of calls answered for both residential and business customers has increased in the 3-year period in question.

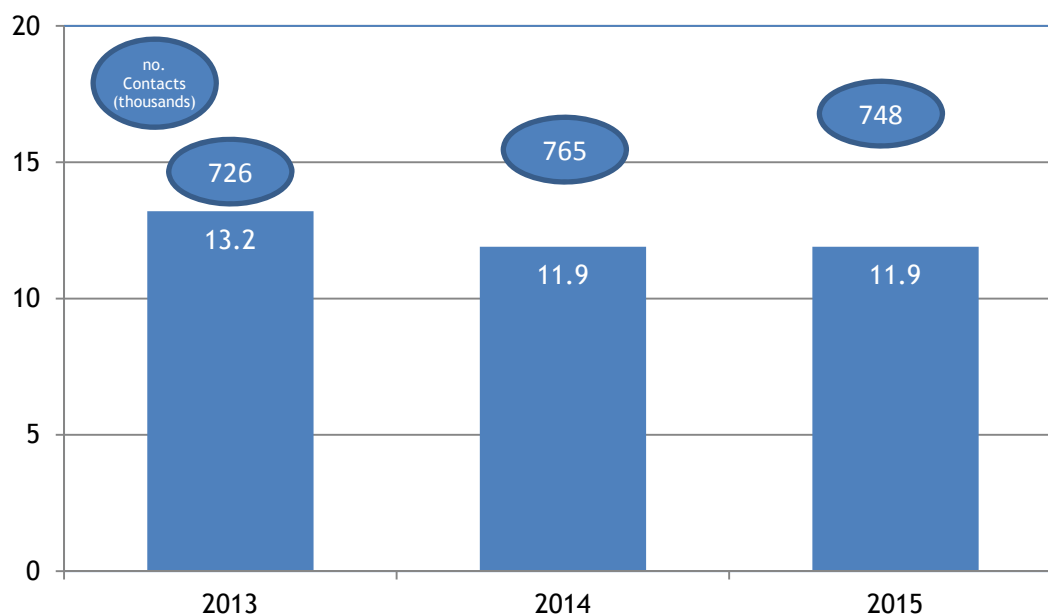
Using the calculation method established by AEEGSI (which also considers the automatic answering service), the average waiting time at the Group call centres in 2015 was 85 seconds for households and 63 seconds for business customers: both values are significantly below the 200-second objective set by AEEGSI.

The overall improvement in all of the main indicators of the Hera Comm call centre considering the 7% fall in incoming calls to the operator is a result of the entry into full effect of the new telephone platform; average waiting times (-23%), the percentage of calls with waiting times of over two minutes (-21%) and the percentage of calls answered (+2%) have all shown an improvement. Particular attention was focused on seeking to anticipate requests and identifying possible inefficiencies. For business customers a direct call service was launched for all problematic written complaints in order to anticipate the proposed solution to the customer.

Branches

In 2015 there was a 6% fall in branch visits across all areas, returning to the levels of 2013 at comparable area of operations.

Average waiting times at branches



Average waiting times at branches

Min	2013	2014	2015
Hera	11.8	11.1	8.9
AcegasApsAmga	22.6	17.7	27.5
Amga Energia&Servizi	-	-	9.7
Marche Multiservizi	11.3	9.4	11.7
Weighted average	13.2	11.9	11.9
Number of contacts	726,876	765,059	747,582

The performances of the Group branches are stable compared with 2014 following an improvement in waiting times at branches managed by Hera Spa and an increase in waiting times in other areas, more marked in the Triveneto due to the replacement of the information systems, which had an impact on the regularity and punctuality of invoices. However, this situation is offset by an improvement in waiting times at the Padua TARI branch following the reorganisation of the structure and changes to the layout. The service levels of the Amga Energia&Servizi branch in Udine, which became part of the Group in 2014, are in line with those of the Group.

The “lean” analysis of the Trieste branches concluded at the end of 2015, the aim being to improve waiting and service times.

For 2016 the goal is to guarantee average waiting times in line with those of 2015 at Group level, improving waiting times at branches of AcegasApsAmga.

Considering only Hera Comm, the percentage of customers that waited more than 40 minutes in branches was 2.6%, an improvement compared to the previous year (4.6%). The effects of these improvements can be seen in the customer satisfaction survey on branch quality, which continued to show a positive trend in 2015.

There are 76 Group branches in Emilia-Romagna, eight of which open for 33 hours per week from Monday to Friday. Considering also the area served by the subsidiaries AcegasApsAmga, Marche Multiservizi and Amga Energia & Servizi, there are 112 branches overall. These are joined by 10 branches managed by Hera Comm Marche in

the Marche and Abruzzo regions and a branch managed by Fucino gas in Abruzzo for a total of 123 branches. The redeveloped Udine branch was reopened with the new Group layout in June 2015.

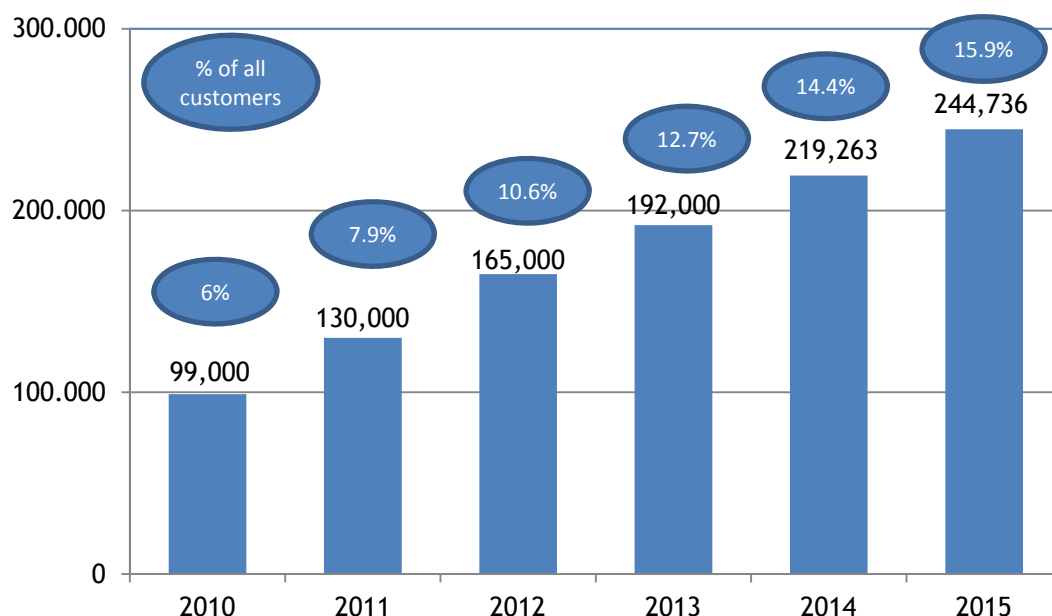
Waiting times at the branches of the main Italian utility companies

According to a comparative analysis carried out between the main Italian utility companies by Utilitatis, the average waiting time at Hera's branches in 2014 was 24% lower than the average of the 8 companies considered (equal to 15.7 minutes).

Online services

Thanks to Hera's online services, Group customers can manage various issues regarding their contracts completely independently. More specifically, they can check and download copies of their bills, request the emailing of their bills, check their energy consumption trends, make reports and request information, submit self-readings and check the progress of procedures.

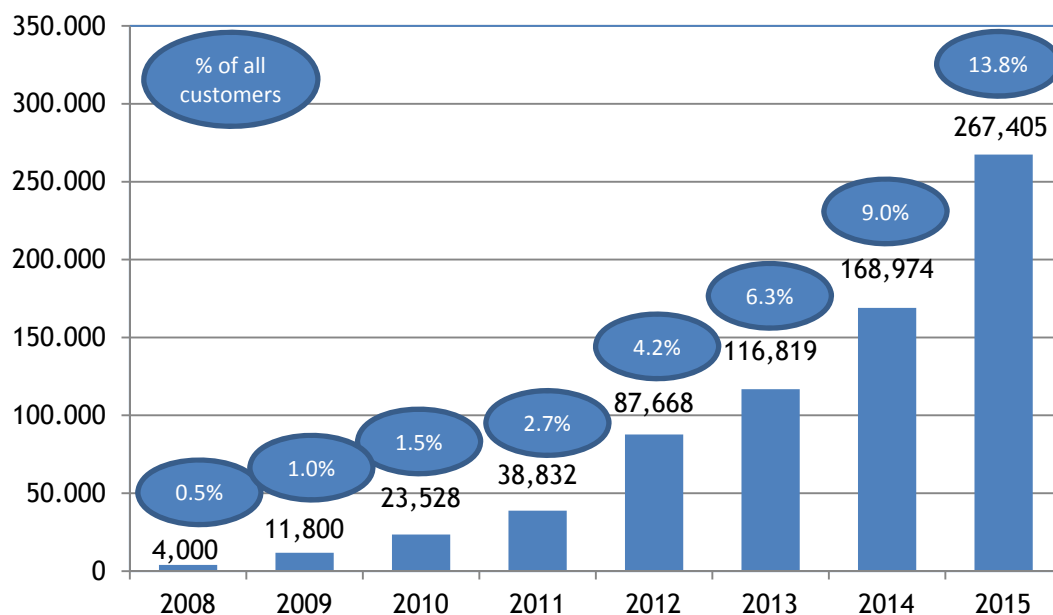
Customers subscribed to online services



Excluding AcegasApsAmga and Marche Multiservizi

Hera Comm's online services proved very popular among customers also in 2015: the number of people registered to use the services increased by 12%, almost reaching the 245,000 mark, with a service penetration percentage of almost 16% of all customers. At the end of 2015 over 267,000 customers (+58% compared with 2014) had registered for the online billing service, which was also supported by the "Get rid of bills. Give a tree to your city" campaign.

Customers receiving their bill online



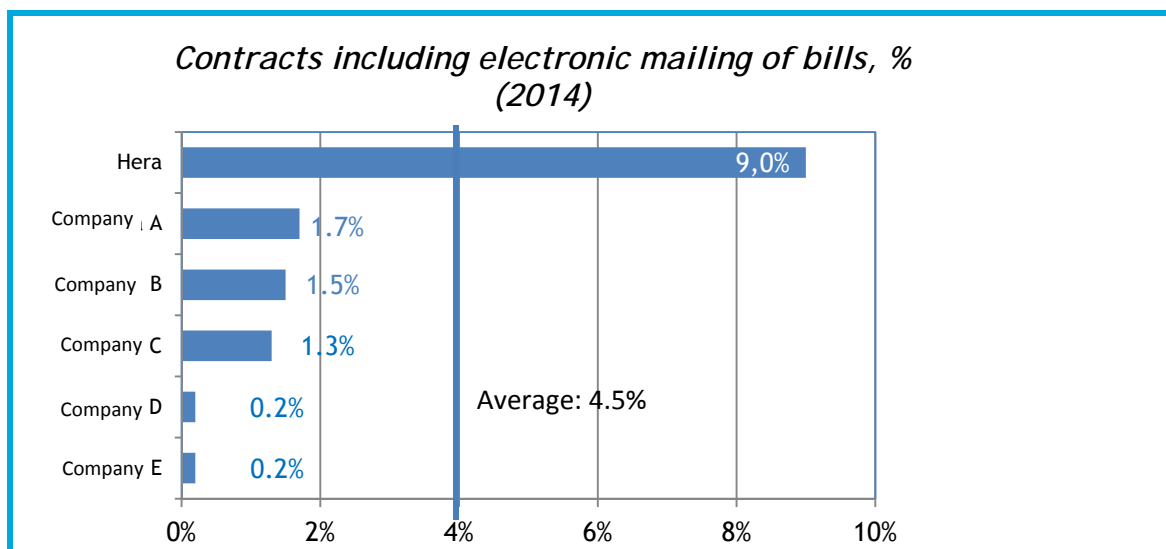
The number of customers that took a self-reading at least once a year also continued to grow (381,000 in 2015), particularly with regard to the water service.

Updates on the services provided and the online services interface are expected in 2016, as is the development of a multi-service app with functions similar to those currently offered by the online services, including the possibility of inserting your self-reading and paying your bill using your mobile devices.

Around 20,000 customers are registered for the online services of Estenergy and Marche Multiservizi (5.5% of the total) while around 8,300 customers receive their bills online (2.4% of the total).

Online billing in the main Italian utility companies

According to a comparative analysis carried out between the main Italian utility companies by Utilitatis, Hera ranks first among the 6 companies considered for the percentage of contracts including the electronic mailing of bills. In 2014, 9.0% of Hera contracts included online billing, while the figure relating to the other companies did not exceed 2%.



Complaint management

2015 saw a general consolidation of volumes compared with the increase recorded last year: 859 fewer cases, equal to -2.7%. However, the difference is much greater depending on the service. The number of complaints in the energy sector has fallen substantially (-16.2% for gas and -10.4% for electricity). The opposite trend can be seen in the water (+20.4%) and waste management sectors (+8.3%).

There has been a growth in the level of conflict and, therefore, the complexity of cases, which led to a rise in average response times: average response times rose to around 17 calendar days compared with 14.5 in 2014, while there was a 3 percentage point fall in the number of complaints managed, which came to 90.5%.

Complaints received

	2013	2014	2015
Average complaint response time (days)	12.3	14.5	16.7
Percentage of complaints that were dealt with within the standard timeframe (%)	93.3%	93.4%	90.5%
<i>of which electricity and gas complaints relating to sales</i>	<i>98.1%</i>	<i>98.2%</i>	<i>97.7%</i>
Number of complaints received (no.)	27,260	32,062	31,203

Excluding AcegasApsAmga and Marche Multiservizi. The complaint response time is indicated in calendar days, with a reference standard of 40 days. There were 4,417 complaints relating to gas and electricity sales in 2015.

An analysis of complaints by type demonstrates the following:

- there has been an increase in the percentage of complaints relating to advance payments and consumption (up by 8% representing 42% of the total);
- the growth in the number of complaints relating to payment or collection issues, such as instalment plans, extensions and reminders, continues (increase of 15%, representing 20% of the total);
- the percentage of complaints connected with supply activations or deactivations has fallen (drop of 45% compared with 2014 to represent 11% of all complaints).

The first point is largely related to the Group's efforts to improve clarity and transparency during the activation and cancellation of contracts, phases regarded as bureaucratic and therefore more critical by customers. The other two phenomena are connected with the ongoing recession with the faint signs of an upturn not as yet having had an effect on the sensibility of consumers as regards service costs.

The number of complaints regarding the failure to respect deadlines, mainly concerning reactivations after late payments, appointments with customers for estimates, terminations and disconnections, fell by another half. This type of complaint now represents 0.4% of all complaints (2.0% in 2013 and 6.4% in 2010).

The remaining 26% of complaints are represented by heterogeneous categories that are difficult to group together and which refer indiscriminately to all services.

In the area of complaints, particular attention was focused on the phenomenon of "repeated complaints", the effects of which were analysed for the first time in 2015 and observed with the introduction of measures to reduce their prevalence. The first results were seen in the second half of 2015, in which the trend was reversed.

Further effects are expected to be produced by the introduction of measures to improve the customer experience, also in the area of complaints. As part of the "Customer experience" project, improvement initiatives in the area of complaint management are also taking place. The biggest criticalities identified in this area were the speed of response times and the request for intermediate feedback from customers. An overall analysis of communication style, and therefore also the language used when responding to complaints, is also ongoing.

Mediation

Following the adoption of the new regulations for joint mediation, in force since July 2014, the joint mediation instrument for the out-of-court settlement of disputes can be used for the gas and electricity services but also by integrated water service customers, with the sole exception of breakages to private plants and meters due to adverse weather conditions.

In 2015, 77 requests for mediation were received, 57 of which were accepted. 26 of these regarded the gas service, 7 the electricity service, 6 both services and 18 the water service.

Out of the 57 requests received, 28 were settled with mediation, 6 failed to be settled through mediation and the others are at the negotiation stage.

Regarding 20 requests which could not be accepted:

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

From 2010 to 2015, 342 requests were processed or are being processed, 213 of which concluded with a settlement, 82 with a failure to reach a settlement and 9 with a waiver of the request as the problem had been solved in the meantime. The remaining 38 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: 14 mediation requests were submitted in 2015, only 3 of which could be processed. One was closed with an agreement and two were still being negotiated at the end of 2015.

Disputes with customers

At the close of 2015 there were 505 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, 186 refer to the gas, electricity and district heating service, 30 to the water service and 7 to the waste management service. The increase in disputes with customers compared to 2014 (rising from 437 to 505) mainly regards the energy sector and in particular disputes relating to objections to the protective system to which customers are assigned by the competent distributor, billing and complaints aimed at reactivating the supply of electricity or gas suspended due to late payments by customers. In the water sector, meanwhile, the disputes mainly regard objections by customers to injunctions.

Confidentiality

In 2015 Hera Spa carried out a centralised risk analysis on the processing of personal data using the methodology defined in 2014, with a focus on risk ranking and compliance assessment. From the analysis it emerged that the risks relating to availability, integrity and confidentiality are at an acceptable level and that the non-technical measures provided for by Leg. Decree 196/2003 are largely respected. The study will be extended to the other Group companies, beginning with Hera Comm and Herambiente.

As for the observance and dissemination of new regulations, of particular note are the analyses carried out on the Data Protection Authority's guidelines on profiling and the changes to the statute of workers' rights made by the Job Act, whose impacts on the Group's processes were assessed.

Requests for consultancy and specific legal support were managed through the processing of specific regulatory in-depth analyses and the documentation required to guarantee the regulatory compliance of company processes in terms of privacy: the most significant include the management of TARI, debt recovery, the virtual force for the protection of employees from aggression and robbery, the remote reading of meters, and the Hergoambiente project on waste management services.

The e-learning training course was updated in terms of its content, as per the regulatory changes, and will be followed by data processing staff in the next few years.

The cookies regulation was also managed with a standard adjustment to the Hera Group websites and the issue of the appointment of external data processing managers, from suppliers and Group companies with service agreements, has also been regulated.

There has been ongoing cooperation with the Hera Comm and AcegasApsAmga privacy supervisors on high impact issues such as the drafting of notices for the Data Protection Authority and the solving of queries on data access requests.

As part of the audit activities, in 2015 a wide-reaching audit was carried out on the management of the health surveillance process: all the critical issues that emerged were analysed and addressed by the relevant departments.

Finally, 33 data processing notices were drafted as part of specific company projects.

Customer satisfaction survey and other dialogue initiatives

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

Since 2005 the quality of our services has been assessed with annual customer satisfaction surveys aimed at defining improvement actions. Since 2014, as well as Hera's residential customers, the survey has included the customers of AcegasApsAmga (Padua and Trieste), Hera Comm Marche (Pesaro and Urbino) and Amga (Udine).

Assessment of overall satisfaction of residential customers

CSI (from 0 to 100)	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015*
Service satisfaction index (Services CSI)	71	71	72	72	74	73	73	75	75	75
Overall satisfaction index (CSI)	67	65	67	69	69	70	69	70	69	70
Global satisfaction	70	68	70	73	71	72	71	72	72	73
Satisfaction with respect to expectations	66	63	66	68	68	69	68	68	67	68
Satisfaction with respect to the ideal	65	62	64	67	66	68	66	67	67	67

* Includes Hera Spa, Hera Comm, Hera Comm Marche and AcegasApsAmga

The overall satisfaction of residential customers has restabilised at 70, a high level of satisfaction. Global satisfaction and satisfaction with respect to expectations have improved by a point. The excellent level of satisfaction with the services provided was confirmed in 2015: 75 points.

All services exceed the threshold of 70 points, which indicates a high level of satisfaction, and are up compared with 2014: gas at 79 points, electricity at 78 points, water service at 75 points and waste management at 70 points.

The contact channels show a high level of customer satisfaction. Branches, call centres and online branches, with assessments of 77, 74 and 76 respectively, demonstrate the effectiveness of the internal procedures and the expertise of the operators. The Group's image is stable at 70 points.

As well as the annual survey, 2015 saw the continuation of the initiatives to get customer feedback through satisfaction surveys on the Branch and Call Centre contact channels with over 9,000 phone interviews carried out with customers who visited branches or contacted the Call Centres. On the basis of the results, targeted actions were planned with regard to the areas that generated the greatest dissatisfaction with the aim of forming a better understanding of the causes and reducing the probability of them recurring.

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 5,300 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) with shares to ensure that the sample is representative of the customers of all Group services.

Monitoring was carried out by interviewing the main Hera contact within the household. The questionnaire, which lasts around 16 minutes, monitors overall satisfaction components and measures future behaviour (word-of-mouth, loyalty etc.) towards the company. The assessments of the results are expressed in numerical scales, divided into levels of satisfaction: under 50 points indicates insufficiency; up to 60, “minimal” satisfaction; between 60 and 70, a good level of satisfaction, and above 70, a high level of satisfaction.

In 2015, as part of the Customer Experience project, the most critical phases of the life cycle of customers were identified thanks to quantitative and qualitative surveys. The results were analysed and translated into specific projects which will be carried out in 2016 and the following years with the aim of improving the customer experience in all areas.

Assessment of district heating customer satisfaction

CSI (from 0 to 100)	2009	2010	2011	2012	2013	2014	2015
Overall satisfaction with the district heating service (district heating CSI)	72	75	75	73	72	72	70
Overall satisfaction index (CSI)	69	68	68	67	66	67	68
Global satisfaction	71	71	71	70	68	70	71
Satisfaction with respect to expectations	68	67	67	65	64	64	66
Satisfaction with respect to the ideal	68	65	66	66	63	65	64

In October 2015, the survey on the satisfaction of residential customers with the district heating service was carried out.

The district heating service recorded a fall while still posting a good satisfaction rating: 70 points. Those with central heating have a higher opinion of the service (73 points) with its score dropping quite clearly among those with independent heating system (67 points).

Although down compared to last year, there were very positive evaluations of service reliability (77) and the benefits of the service (77). The other services were rated at 73 points.

The measurement was repeated for business customers in order to monitor customer satisfaction levels both for the free market and protected market. In the case of companies, the contact for the services provided by Hera is interviewed. In this report are presented the results of the survey carried out in late 2014 because those relating to the investigation 2015 are being drawn up at the date of approval of the report.

Assessment of overall satisfaction of non residential customers

CSI (from 0 to 100)	2009	2010	2011	2012	2013	2014
Service satisfaction index (Services CSI)	69	72	71	71	70	73
Overall satisfaction index (CSI)	65	65	66	66	66	67
Global satisfaction	68	69	68	69	69	70
Satisfaction with respect to expectations	64	63	64	66	64	65
Satisfaction with respect to the ideal	62	61	64	64	63	65

In 2014 the overall index grows and reaches about 67 points , as well as for the services index (73) continues the positive trend of recent years. In general, the free-market customers have average ratings higher than customers under tariff protection conditions. An improvement is registered in all services (+4 points for water,+3 points for gas,+2 points for the environmental hygiene and +1 for electricity)

During the year specific assessment of customer satisfaction have been conducted with contact channels in order to check the reasons for increased dissatisfaction and acting promptly on the most critical cases. The customer experience project will involve the category business with aim of notice the satisfaction for other moments of contact with the company (more than call center and branches) and identifying situation in which the service provided departs more from expectations and then activate improvement projects.

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: a section of the Group's corporate website is entirely dedicated to representatives of the main associations active across the areas in which Hera operates, who 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 interface with Hera through which to manage reports and procedures, preventing disputes and minimising problem response and resolution times.

In 2015, 789 cases were managed through this channel (881 in 2014), 88% of which were resolved successfully with an average resolution time of less than a day. The web channel had 5,193 visitors and a total of 13,729 page views, in line with the figures of the previous year.

In order to build positive relationships and create an increasingly open dialogue, Hera also organised meetings with consumer association representatives and contact persons in 2015. A total of 9 meetings were held on topics in which the associations showed particular interest or in relation to which they requested clarifications and further details: joint mediation protocol, channel dedicated to consumer associations, portal and area reserved for associations, presentation of "SOStegno Hera" leaflet, presentation of "In Good Water" report.

The association representatives were particularly interested and involved in the specially organised meeting in February 2015 following the snow emergency that impacted most notably on the areas of the Modena Apennines.

The Hera Group continued to strengthen its commitment to maintaining relationships with local trade associations in 2015, confirming partnerships with 83 trade associations who are therefore able to take advantage of innovative services and beneficial supply conditions.

To this end, a number of important initiatives have been launched while other existing projects have continued:

- the important Hera Start Up project has continued with the aim of supporting the needs of young entrepreneurs and the economic fabric of our area by creating a commercial offer for energy, waste management and telecommunication services;
- the business associations of Modena and Imola continued to promote the electric mobility project;
- the “Giorno Hera Energia e Sport” offer was launched and is reserved for amateur sports associations, sports clubs, sports federations and non-profit associations that carry out activities in the sphere of sport and recreation and are listed on the energy and sport register in the municipalities of Modena and its province covered by the framework agreement. This offer was introduced to simplify the management of energy savings through the definition of a daily price, and it also provides sports associations with economic benefits as they can take advantage of a special service (‘skip the instalment’) whereby in a given month chosen by the customer the daily price is eliminated;
- a partnership with Arci Reggio Emilia was finalised which enables customers to apply for the “Hera Card”, a card that allows them to participate in events organised by Arci under special conditions. As well as the discount reserved for Hera Card owners for the open-air cinema festivals, the Hera Group also partners Arci in support of the projects pursued by Cepam, the Arci music school.

Together with its closest association partners, the Hera Group has also launched the Energy Desk: dedicated moments during which qualified staff field and finalise customer requests directly on the premises of the associations.

In addition, over 6,900 customers (including around 2,000 companies) were involved in the customer experience project, which collects customer feedback in order to improve their relations with the Group companies.

Case studies for our customers

The cost of our services

The new 2.0 bill for electricity and gas

With resolution 501/2014, AEEGSI defined the new 2.0 bill for electricity and natural gas customers under market tariff protection conditions or domestic customers and small businesses served in the free market. Consisting of a single sheet of paper containing all of the key spending and supply information, the new bill is very concise. The format of the bill is simpler and more streamlined: the details, with analytical descriptions of the items of expenditure, are only provided to those that explicitly request them via customer services. To get all of the details customers can simply contact Hera Comm through the call centre or visit a customer branch.

The 2.0 Bill was due to be launched on 1 January 2016 but Hera Comm adopted it in November 2015.

The 2.0 Bill introduces two new items which provide customers with detailed information on their offer:

- the average unit cost of the bill including taxes: this represents the ratio between the overall amount invoiced to the customer, without the 'other items' component, and the amount of consumption invoiced;
- the average unit cost of energy/natural gas: measures the ratio between energy/natural gas expenditure and consumption invoiced;

AEEGSI has also set aside a small discount, as of 2016, for customers under market tariff protection conditions that choose to receive the new bill in electronic format and agree to pay it by direct debit.

It is possible to consult the guide to the interactive bill on the Hera Comm website and view the glossary of the main terms used in it.

New quantity-based waste management tariff trials

Trials of the quantity-based waste management tariff were launched in three Municipalities in 2015: Budrio, Castelfranco Emilia (hamlets of Gaggio and Mezzaluna) and San Giovanni in Marignano for a total of around 30,000 inhabitants.

The three municipalities have different service models and this makes it possible to verify the application of the quantity-based tariff in various service contexts and define strengths and critical issues for each one, as well as a single management model that can be applied to every method.

The Municipality of Budrio has a door-to-door service right across the municipality with unseparated waste bins equipped with transponders. The Municipality of San Giovanni in Marignano has the roadside system with waste disposal monitoring and a volume limiter on unseparated waste bins across the majority of the municipality. In some zones a door-to-door service is active with bins equipped with tags. In the Municipality of Castelfranco Emilia the trial was launched in a specific area with the introduction of bins equipped with waste disposal monitoring and a volume limiter for unseparated waste, and a user recognition system on separated waste bins.

The first phase of the trial was developed in 2015 with the fine-tuning of the services and the activation of all data collection systems for the quantification of the amounts disposed of by each individual taxpayer. When this phase has concluded the system for calculating and invoicing the amounts due will be developed, which will take place in the Municipality of Budrio in 2016.

These trials constitute the basis for Hera's definition of the optimum model for the application of the quantity-based tariff, which will be rolled-out on a large scale in the future. This model will be defined in 2016 and will take account of the relevant guidelines that will be issued by Atersir in the meantime.

District heating is more economical for those that don't waste energy

Hera makes district heating even more economical thanks to its offers specifically studied to respond to the needs of craft, industrial and civil (domestic and non-domestic) users. This initiative for the local community is a response to the negative economic climate and promotes the advantages of energy efficiency. Existing district heating customers, as well as new customers who wish to connect to the service, may sign up for these offers. The development is in line with the guidelines of the EU, which recommends district heating as an instrument for lowering greenhouse gas emissions.

With the commercial offers “Scegli tu 60” and “Scegli tu 70”, for civil and industrial users, the price differs according to the supply temperature, reduced to 60 and 70 degrees centigrade respectively compared to the standard temperature of around 80 degrees, with no variation in the comfort of indoor environments.

With the “Scegli tu 70” option customers can obtain a 10% discount on the variable price of district heating. With “Scegli tu 60” the discount on the basic price is 20% and regards both the variable component and the fixed components: the offer may be activated with a system heated to 60°C and requires a modification to the existing connection.

In this testing economic climate, Hera has also introduced the “Industrial Price” offer to help companies grow and strengthen: this 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.

SOSTegno Hera, updated version to be issued in 2016

The SOSTegno Hera guide outlines all the ways Hera customers can save on their water and energy service bills. Through this single, easy-to-read instrument, the company therefore illustrates all of the benefits available to people in financial difficulty, even if only temporarily. It also provides information on how to pay bills in instalments and what to do in the event of late payments. The guide also explains how you can benefit from the social bonuses for electricity, gas, water and district heating, and whom to contact in the event of water leaks.

SOSTegno Hera was proposed as part of the projects run by the HeraLabs, the local multi-stakeholder advisory boards: in 2015 over 20,000 copies of the guide were distributed through the customer branches and PR offices in the main municipalities served.

In this way the SOSTegno Hera information project represents a tangible response to the survey carried out by AEEGSI in 2014 which had shown how only 34% of those entitled to the electricity bonus and 27% of those entitled to the gas bonus had actually taken advantage of these benefits. In Emilia Romagna, the situation was better (around 55%) but certainly not excellent.

In 2016 the updated version of SOSTegno Hera will be released and will be available on the Group corporate website and in paper form at Hera Comm customer branches.

The per capita tariff rewards water savings and helps large households

The per capita tariff was introduced by the former Water and Waste Regulatory Authorities of Bologna, Modena and Ravenna (limited to the municipality of Faenza) to incentivise water savings and help large households. In fact, the number of family members is one of the parameters taken into consideration when calculating the bill with the per capita tariff. The tariffs favour low levels of consumption and penalise consumption that exceeds the amount set for each person based on the water-saving goals of the Water Protection Plan of the Regional Government of Emilia-Romagna. The Plan established a basic supply of 150 litres per day per inhabitant, equal to 55 cubic metres per year. The per capita supply and the consumption bands vary according to the number of family members, thereby favouring large households which necessarily consume more.

The per capita tariff is applied only to domestic users and, in 2015, was applied in 52 municipalities in the Province of Bologna (including the city of Bologna), 21

municipalities in the Province of Modena (including the city of Modena) and one municipality in the Province of Ravenna. 40% of the population served by the Group resides in the municipalities that apply the per capita tariff.

Atersir, which took the place of the former Water and Waste Regulatory Authorities, encouraged the switch to the per capita tariff making a specific request to municipalities that had not provided the personal details necessary for switching to this tariff.

With resolution no. 8/2015, AEEGSI started a procedure to define the tariff structure criteria applied to water service users. The procedure concluded with the tariff resolution of the second regulatory period of 2016-2019, which retains the right to maintain the current tariff structures. In the event of changes, meanwhile, the amounts charged to users are structured in a fixed price for each of the water, sewage and purification segments, and a variable price which can be divided into up to five consumption bands: the first recognises the discount for the category of up to 30 cubic metres a year for domestic users.

Service quality

The multi-service remote reading project: The Modena trial

With resolution 393/2013/R/gas, AEEGSI started trialling “multi-service smart metering” solutions. In the final rankings the Hera project came first among those that were actually implemented and regards the trial of a multi-service communication infrastructure of over 13,000 remotely managed points in the city of Modena. The project brings together all of the services managed by Hera: the gas distribution service, the water service, electricity distribution, district heating and the waste management service. Particular attention is focused on the role that will be played by users, who were provided with a website, also accessible from mobile devices, that makes it possible to monitor their daily consumption and, in the event of anomalies, to be notified via text message. Other additional functionalities make it possible to test a new way of managing the networks, enabling water and heating balances to be made on individual portions of the distribution network.

The role of the operator that oversees data traffic is carried out by Acantho as the final element of integration of a project that improves across-the-board expertise throughout the Hera Group.

Quality of drinking water

Water Houses and Urban Sources

The Hera Group’s urban sources enable citizens to stock up on drinking water also when they are out of the house, offering them the choice of chilled and sparkling water. In 2015 there were new installations in the Municipalities of Cesenatico, Fusignano, Mondaino, Roncofreddo and Santarcangelo, which join the existing facilities for a total of 38 Water Houses and 25 Urban Sources at 31 December 2015. The other Group companies also launched similar initiatives in the areas they serve: AcegasApsAmga in Padua, Abano Terme (Padua) and Legnaro (Padua); Marche Multiservizi in Tavullia (Pesaro Urbino), Cantiano (Pesaro Urbino) and Montegrimano (Pesaro Urbino). Further installations are scheduled to take place in 2016 in Rimini, Ravenna, Sogliano al Rubicone (Forlì-Cesena) and Padua, also thanks to the collaboration of Adriatica Acque (Group company), a leader with regard to this type of installation.

In 2015 over 27 million litres of water were supplied, 70% of which mineral water and 30% sparkling water. Also notable were the plastic savings made, which came to

over 18 million bottles, corresponding to around 23,000 fewer bins to empty (bins with an average capacity of 800 x 1.5 litre PET bottles), thus reducing CO₂ emissions by over 3,000 tonnes. The financial savings made by households were also significant, coming to around Euro 5 million (corresponding to the average amount spent to purchase mineral water).

In Good Water: the report on drinking water quality and the label in 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 a 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 making more informed and sustainable use of this resource.

The 2014 edition met the objective set the previous year of extending the report to the Marche Multiservizi area. Furthermore, the report was once again available in two formats. A concise 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 activities carried out by Hera to ensure the quality of the water. The complete version of the report drafted with the Region of Emilia-Romagna, Arpa Emilia-Romagna, local health authorities in the provinces served, Romagna Acque Società delle Fonti and other experts on drinking water issues, is available on Group website in html and pdf format.

Since 15 September 2012 the tap water label has been present in Hera bills as well as on the website. 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. The AcegasApsAmga website includes water quality data for the municipalities served in the Padua and Trieste areas, which are updated constantly.

At Hera we drink tap water

The Hera₂O project, launched in 2008, promotes the use of tap water by Hera employees. By drinking over 473,000 litres of tap water in 2015 thanks to the dispensers installed in the canteens and offices, Hera workers avoided the production of almost 16 tons of plastic, corresponding to around 478 bins, and over 733,000 plastic bottles (0.5 litre bottles were considered for canteens and individual use, and 1.5 litre bottles for offices and meeting rooms). This virtuous behaviour generated energy savings of approximately 49 tons of oil equivalent and reduced greenhouse gas emissions by 136 tons.

Service safety and continuity

Gas networks, modernisation work in Ferrara concluded

It took Euro 8 million and ten years of work to complete the replacement of the old cast iron pipelines in the city of Ferrara. The gas network modernisation plan has concluded the regulatory compliance activities for the safety of plants and networks. The project was completed in 2015 with the final restoration of the roads.

Customer relations

Online bill: 25,000 new applicants and 500 more trees for our cities

Two years ahead of schedule, 2015 saw the conclusion of the first edition of “Get rid of bills. Give a tree to your city” and the definition of a new goal: another 50,000 applicants so another 1,000 trees can be planted.

Re-launched in the spring of 2015, in just under six months the Hera campaign encouraging users to switch to online billing has achieved its first goal. In fact, by 31 December 25,149 customers had decided to switch from the traditional paper bill to the online bill. By the spring of 2016, 440 new trees will be planted in the 16 “City Partner” municipalities (municipalities with over 15,000 inhabitants) with the best results in terms of applicants. These will be joined by the 60 trees that will be planted in the top 3 “Community Partner” municipalities (with less than 15,000 inhabitants). Important results if we consider that these 25,000 new applicants will eliminate the printing, transportation, delivery and disposal as waste of around 150,000 bills every year, thus avoiding around 11 metric tons a year of atmospheric CO₂ emissions as well as the production of almost 590,000 sheets of paper.

These results can be added to the 2,364,000 sheets of paper already saved with the first 100,000 applicants and the 2,000 trees already destined for 44 municipalities in the last two years, 1,717 of which already planted (1,159 planted in 2015).

In order to offset the CO₂ emissions associated with the publication of the Group Sustainability Report and the three “In Good Water”, “Tracking Waste” and “Value of Energy” reports, the company also voluntarily decided to increase the number of trees planted by 15 to mark the new edition. This addition was granted to the top 5 municipalities in the “City Partner” category who were most virtuous in digitalising their bills according to the October 2015 rankings.

The customer experience project to improve customer relations

In recent years the overall level of satisfaction among Hera customers has been consistently high. Off the back of these positive results, in 2015 Hera launched the “customer experience” project to get a greater array of feedback from customers and to further improve their experience when dealing with the company. This meant engaging with three categories of stakeholders: the company itself, employees and customers.

The main customer experiences were identified in an initial phase, either in terms of number or impact for the customer, with the aim of analysing them in detail and pinpointing which ones to investigate further.

This was followed by a phase in which, thanks to the direct involvement of employees, it was possible:

- to identify specific aspects of the customer-company relationship to which innovation processes could be applied;
- to directly involve the organisation in improvement goals with innovative methods;
- to gather original ideas;
- to develop new common working methods for various company departments that impact on the Hera customer experience.

The methods of involvement used aimed to spread, among workers, the culture of the customer and of innovative approaches.

The final phase, no less important, involved customers directly. Around 6,900 interviews were carried out with customers (including around 2,000 companies) from

both the family and business segments who came into contact with the company via branches, call centres or the website.

All phases of the project made it possible to identify a series of worksites aimed at improving the customer experience at every point of the life cycle and for each contact channel. The worksites are located in these development areas:

- greater speed and transparency;
- increase in the number of available contact channels;
- adoption of proactive behaviour towards customers;
- development of dedicated and personalised services for customers;
- use of a new, more understandable and distinctive language when conversing with customers.

Specific initiatives are currently being developed in these areas and will be launched in 2016.

Smart consumption with smart thermostats

In 2015 Hera launched an analysis to identify smart thermostats of potential interest to customers with the aim of reducing gas consumption for heating. Following the installation of the most innovative thermostats on the market in the laboratory at the Forlì site, the three most interesting devices were identified for the next stage: trials with real customers. Around a hundred Group employees are trialling the thermostats in their homes. The trial aims to identify the best device to make available to customers in commercial offers. Depending on the results of the monitoring carried out on the performances of the thermostats, the products may potentially be launched on the market. Smart thermostats allow customers to control their consumption according to their habits, improving their energy efficiency and therefore reducing atmospheric emissions, with benefits for the environment. With the same goals, an urban map of the energy consumption of buildings in a sample area of Modena was launched in 2015 and will be completed in 2016. The map brings together data relating to all Hera services (gas, electricity, district heating, water, waste management and treatment) and could become a useful tool for highlighting the most energy-intensive users for subsequent energy efficiency measures.

Workforce

The Hera Group had a workforce of 8,571 people as at 31 December. On average, 96.9% of workers have an open-ended contract. In the last three years, 496 people were hired on the basis of open-ended employment contracts.

Objectives and performance

What we said we would do	What we have done	Area		
<ul style="list-style-type: none"> Expand the range of summer camps for employees' children. Continue to provide assistance to employees returning to work after a period of leave. 	<ul style="list-style-type: none"> The range of summer camps for employees' children was extended to AcegasApsAmga and Marche Multiservizi children; 152 children joined the initiative (+44% compared to 2014). Assistance to employees returning to work after a period of leave continued (27 persons involved). (see page 111) 	H	A	M
<ul style="list-style-type: none"> Launch actions to optimise work time efficiency (use of emails, ppt and meetings) 	<ul style="list-style-type: none"> The Demailing project was set up in 2015 to optimise use of corporate instruments (especially emails and ppt). (see page 111) 	H		
<ul style="list-style-type: none"> Develop a welfare plan on the basis of the evidence collected during the information gathering phase. 	<ul style="list-style-type: none"> The welfare plan was defined. Implementation will begin in 2016. (see page 111) 	H	A	
<ul style="list-style-type: none"> Implement the first phase of the new professional development process involving employees, middle managers and managers. 	<ul style="list-style-type: none"> The new professional development process started in 2015 and involved 5 thousand people including employees, management employees, middle managers and managers. (see page 144) 	H	A	M
<ul style="list-style-type: none"> Extend the Hera ti insegna un mestiere... a scuola (Hera teaches you a trade... at school) model. 	<ul style="list-style-type: none"> The Hera teaches you a trade... at school project evolved into a broader process with the Hera educational system, which also includes the development of school-work alternation paths. (see page 142) 	H		
<ul style="list-style-type: none"> Create an internal community regarding energy efficiency. 	<ul style="list-style-type: none"> The internal community regarding energy efficiency was developed. (see page 120) 	H		
<ul style="list-style-type: none"> Start training on the code of ethics (AlphabEthics) at AcegasApsAmga and continue organising seminars on CSR. 	<ul style="list-style-type: none"> Training on the code of ethics (AlphabEthics) was carried out in AcegasApsAmga involving 1,512 persons (80% of total) and 9,822 hours were delivered. Three seminars on CSR were organised involving over 60 managers. (see page 118) 	H	A	
<ul style="list-style-type: none"> Continue with our safety initiatives, including road safety, and extend the DST project to AcegasApsAmga in order to improve safe driving. 	<ul style="list-style-type: none"> Safety initiatives done. Extension of the DST project in AcegasApsAmga is currently being evaluated. (see page 144) 	H	A	
<ul style="list-style-type: none"> Carry out the 6th corporate climate survey: the objective is to reach 63/100 and 66% participation. 	<ul style="list-style-type: none"> The sixth internal climate study recorded 71% participation and a satisfaction index of 63/100. (see page 134) 	H	A	M
<ul style="list-style-type: none"> Involve employees in improving the sustainability report. 	<ul style="list-style-type: none"> 260 employees were involved in a community in June 2015 to improve the 2015 sustainability report. (see page 120) 	H	A	
<ul style="list-style-type: none"> Update the house organ by involving employees 	<ul style="list-style-type: none"> The house organ was reviewed in 2015 with the participation of 80 employees: it has improved its graphics and contents. (see page 140) 	H	A	

We shall	Area*		
• Implement the actions included in the welfare plan defined in 2015 by listening to the needs of employees. Set up new actions in four areas: health and healthcare assistance, education, services to citizens, well-being and income support.	H	A	M
• Launch actions to optimise work time through the digitisation of internal processes and innovative tools (Hera smart project)	H	A	M
• Put in place the development process for employees, middle managers and managers: set up 15 development actions for homogenous groups of workers.	H	A	M
• Set up the regional protocol regarding school-work alternation and continue the HerAcademy and Hera teaches you a job... at school initiatives.	H	A	M
• Involve the workforce in the third updating of the code of ethics, continue CSR seminars and complete AlphasEthics training in AcegasApsAmga.	H	A	M
• Set up accident prevention actions - accident frequency index for 2016 equal to 21.4 (-3% compared to the average of the last three years) - and further increase the near-accidents/accidents ratio.	H	A	M
• Implement the internal climate improvement actions defined on the basis of the results of the sixth survey carried out in 2015.	H	A	M
• 2016/2017 HeraSolidale: involve the workforce in solidarity initiatives to support associations working in all of the local areas served by the Group.	H	A	M

* Local area involving the improvement objectives

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

Workforce

On average 96.9% of Group company workers have an open-ended contract

As at 31 December 2015, the total workers with open-ended contracts in Group companies amounted to 8,426. In 2015, the changes in the scope regarded:

- the entrance of Waste Recycling Spa and the subsidiary Rew Trasporti Srl (92 workers), Geonova Spa (11 workers), Biogas Srl (6 workers) and Alento Gas Srl (3 workers);
- the exit of Trieste Onoranze Funebri, a subsidiary of AcegasApsAmga (-12 workers).

Net of the results, workforce reduction is 93 units.

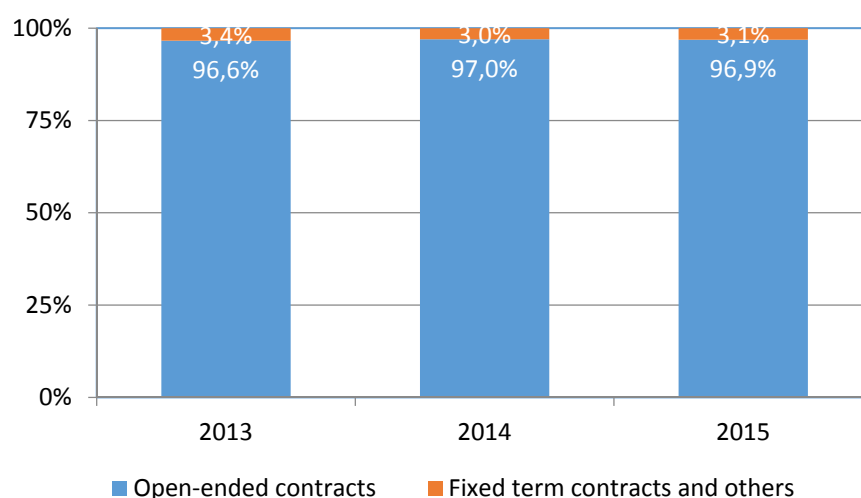
Staff figures at the end of the year

No.	2013	2014	2015
Managers	154	152	146
Middle managers	458	507	526
White-collar workers	4,211	4,341	4,449
Blue-collar workers	3,396	3,419	3,305
<i>Open-ended contract employees</i>	<i>8,219</i>	<i>8,419</i>	<i>8,426</i>
Fixed-term contract workers	75	91	109
Job training and entrance contracts, apprenticeships	53	30	18
<i>Fixed-term contract employees</i>	<i>128</i>	<i>121</i>	<i>127</i>
Staff leasing contracts	54	32	17
Project based contract workers	8	3	1
Total	8,409	8,575	8,571

Net of the changes in the company scope, a reduction in managers (6 individuals) is reported resulting from the exit of 12 managers in 2015, from five career

advancements from middle manager to manager, and from recruitment of a new manager. The increase in middle managers and white-collar workers is due to the entry of new workers (two middle managers and 151 white-collar workers) and to category advancement (35 promotions from white-collar worker to middle manager and 69 from blue-collar to white-collar worker), offset by the exit of overall 15 middle managers and 124 white-collar workers. The reduction of the number of blue-collar workers is due to the exit of 200 blue-collar workers, offset by 103 entrances. Furthermore, 98 entrances of fixed term blue-collar workers included in open-ended contract consolidation processes are reported.

Workforce figures (average)



On average, in 2015 96.9% of Group workers had an open-ended contract.

Employees with fixed term contracts account for 2.5% of average workers, while the remaining 0.5% of workers were hired with other flexible arrangements (staff leasing contracts and project-based workers).

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, in 2015, the average number of workers hired with staff leasing contracts and project work was 49, 24% lower than 2014 and 57% lower than 2013.

Open-ended contract employees (breakdown by function)

No.	2013	2014	2015
Grid services	2,736	2,955	2,834
Waste management services	2,396	2,364	2,493
Other services	790	758	752
Commercial	810	774	783
Coordination activities	1,487	1,568	1,564
Total	8,219	8,419	8,426

Of the workforce, 34% operated in grid services (gas, electricity, water service and district heating) and 30% operate in the waste management sector. 9% of the workforce were employed in the commercial structure and a further 9% in other services (information technology systems, fleet management, laboratories, public lighting): the 2% increase in workers involved in the waste management services is attributable to entry into the Group of companies such as Waste Recycling, Rew Trasporti, Geonova and Biogas.

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

No.	2013	2014	2015	% 2015
Bologna area	1,709	1,733	1,730	21%
Ferrara area	477	465	465	6%
Forlì-Cesena area	593	591	588	7%
Gorizia, Udine and Pordenone area	89	285	316	4%
Imola-Faenza area	660	653	663	8%
Modena area	1,059	1,039	1,012	12%
Padua area	803	752	725	9%
Ravenna area	654	641	624	7%
Rimini area	660	650	626	7%
Trieste area	833	811	783	9%
Marche Multiservizi area	595	590	582	7%
Other	87	209	312	4%
Total	8,219	8,419	8,426	100%

The increase in workers belonging to other areas is the result of the entrance of new companies into the Group: Rew Trasporti, Waste Recycling and Geonova operating in other areas (Pisa, Treviso).

Open-ended contract employees by educational qualification and position (2015)

No.	Managers	Middle managers	White-collar workers	Blue-collar workers	Total
Primary education	0	0	10	29	39
Junior secondary education	3	6	611	1,585	2,205
High school diploma	12	143	2,043	903	3,100
University degree	111	290	926	5	1,332
Total	126	439	3,590	2,522	6,677

Excluding AcegasApsAmga

The overall percentage of employees holding high school diplomas and university degrees is equal to 66.4%, increasing by one percentage point compared to 2014: increases are respectively 6.6% for employees holding a university degree and 3.0% for employees holding a high school diploma.

Average age and average seniority of employees with open-ended contracts by role (2015)

Years	Age	Years of service*
Managers	51.8	15.7
Middle managers	47.5	16.8
White-collar workers	48.3	17.7
Blue-collar workers	49.6	19.9
Total	48.2	18.4

*Excluding AcegasApsAmga

The average age of employees with open ended contracts is 48.2 (slightly higher than 2014 which recorded an age of 47.9). The average years of service of employees with open ended contracts, excluding AcegasApsAmga, is 18.4 years.

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

Hours	2013	2014	2015
Illness	59.3	61.0	64.5
Maternity/paternity and parental leave	12.5	11.6	12.4
Accidents	6.9	5.8	6.8
Strikes	2.9	1.4	0.1
Union meetings	1.0	1.2	0.9
Union leave	6.2	6.0	6.1
Other	36.2	33.8	30.9
Total absences (h)	125.0	120.7	121.7
Regular hours worked	1,515.8	1,536.4	1,547.5
Overtime hours worked	48.5	44.4	43.2
Total hours worked	1,564.3	1,580.8	1,590.7

The data refer to the following companies: Hera Spa, Marche Multiservizi, Uniflotte, Hera Comm, Hera Trading, Herambiente, Fea, Acantho, Hera Luce and AcegasApsAmga. Hours worked are calculated net of those in overtime recovered.

The hours of absence per capita are basically in line with the last three years. 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 purposes. In 2007 there were 13.6 average hours of absence per capita due to injury and since then decreased to half (6.8 hours). Compared to 2014 the value increased by 17% but still remain in line with the value of 2013 (6.9 hours).

Even in 2015 overtime hours continued to represent a reduced percentage of the total hours worked and the per capita average continued to decline, falling from 44.4 hours per capita in 2014 to 43.2. New indicators were developed as part of the SA8000 project. They provide useful information with a view to improving working conditions, in addition to allowing in-depth monitoring of overtime in compliance with current legislation on working hours.

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 are chosen for white-collar and blue-collar positions.

Personnel hired during the year (breakdown by position)

No.	2013	2014	2015
Managers	1	0	1
Middle managers	5	1	2
White-collar workers	101	80	151
Blue-collar workers	28	23	103
Open-ended contract employees	135	104	257
Fixed-term contract workers	86	169	257
Staff leasing contracts	114	101	53
Job training and entrance contracts	0	0	0
Project based and freelance contract workers	9	11	7
Seasonal workers and apprentices	13	3	3
Non open-ended contract employees	222	284	320

In 2015, 257 workers were hired with open-ended contracts, 81 of which concerned staff under 30 years of age. Of the 257 recruitments, 167 moved on to being hired on an open-ended basis. Over the past three years, overall 496 open-ended contract workers were hired, 325 of which following initial hiring with the Group under a fixed-term contract. The number of staff leasing contracts has dropped constantly over the past three years.

In 2015, 68 female workers were hired with open-ended contracts (26% of the total), 66% more than 2014. The percentage of newly hired female managers, middle managers and white-collar workers in 2014 rose to 44%.

Open-ended contract leaving by reason

No.	2013	2014	2015
Resignation	52	54	80
Retirement	43	44	195
Death	10	11	12
Dismissal	7	3	9
Inability	25	39	54
Transfer to other companies/deconsolidations	112	5	12
Total	249	156	362

Net of the exit from the scope of the Trieste Onoranze Funebri Group, a subsidiary of AcegasApsAmga (-12 workers), in 2015 there were 350 cases of job leaving: 76% were due to retirement and voluntary resignation.

Turnover rate for open-ended contract workers by role

%	2013	2014	2015
Managers	3.2%	5.3%	7.5%
Middle managers	2.8%	1.0%	2.8%
White-collar workers	2.7%	1.4%	2.8%
Blue-collar workers	3.8%	2.3%	6.0%
Average	3.2%	1.8%	4.2%

Turnover rate for open-ended contract workers by gender

%	2013	2014	2015
Men	3.1%	2.0%	4.6%
Women	3.4%	1.3%	2.8%
Average	3.2%	1.8%	4.2%

Turnover rate for open-ended contract workers by age

%	2013	2014	2015
under 30 years of age	6.6%	2.2%	2.0%
between 31 and 50 years of age	2.4%	1.2%	0.9%
over 50	4.1%	2.6%	8.0%
Average	3.2%	1.8%	4.2%

The turnover rate is calculated by dividing the number of leaving employees by the number of employees at the end of the year: in 2015 it was equal to 4.2%. There is a significant increase compared to 2014, especially in male workers and workers over 50 years of age, particularly due to the increase in retirements.

Career progress during the year (breakdown by position)

No.	2013	2014	2015
Managers	4	4	5
Middle managers	24	40	39
White-collar workers	376	476	416
Blue-collar workers	191	280	204
Total	595	800	664

2013 data do not include AcegasApsAmga and Marche Multiservizi.

Career progress has slightly dropped compared to 2014 also as a result of the professional interventions already carried out during previous years. There were five promotions from middle manager to manager in 2015. Career progress involved 186 female personnel, totalling 28% of all cases. Excluding blue-collar workers, where women are around 5%, career progress involving female personnel represented 40% of the total (38% in 2014). Career progress involving female middle managers and managers amounted to 34% (41% in 2014).

Ad interim positions covered

No.	2013	2014	2015
Ad interim positions at the end of the year	15	14	13
Ad interim positions covered	3	7	8
<i>of which by internal personnel</i>	3	7	7

The 2013 figures do not include AcegasApsAmga.

In the company organisational chart, there are a number of organisational positions for which management 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 14 ad interim or open positions for departments and functions at the beginning of 2015, eight positions were covered during the year, seven of these with 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 2015, a total of 74 intragroup transfers were made, mainly in the General Operations Department. Since 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 718,795 visits, and there have been 263 announcements published and 154 positions filled; only in 2015, 102,201 visits were posted for the page, and there were 35 announcements published and 24 positions filled.

Diversity and equal opportunities

The commitment for equal opportunities, work-life balance and enhancement of the value of diversity in the Hera Group is confirmed and summarised in the Code of Ethics. In October 2009, Hera signed the “Charter for equal opportunities and equality in the workplace” which contains 10 commitments contributing to the fight against all forms of discrimination in the workplace and the enhancement of diversity within the company. Furthermore, the 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”.

With regard to corporate welfare planning, the results that emerged during the employee-listening phase, carried out in 2014, identified the following guidelines for the development of the welfare plan in 2015:

- coherence with corporate values and identity;
- enhancement of relations with the local area;
- coherence with related needs;
- creation of benefits for employees and the company, seizing tax opportunities;
- promotion of a mutual employee/company culture geared towards productivity.

On the basis of these guidelines, a series of initiatives (which are listed below) were carried out in 2015, some of which in keeping with the previous year, which will be part of the new welfare plan launched in 2016.

Summer camps

The opportunity for the children of employees belonging to all of the Group’s companies (from ages 3 to 14) to attend summer camps continued in 2015. The facilities with which our Group has special arrangements include daytime summer camps in various local areas in which Hera operates and residential summer camps (including overnight accommodation). Hera paid 50% of the subscription fee for the first week. In addition to Emilia-Romagna, the proposal was also extended to AcegasApsAmga and Marche Multiservizi workers. For the facilities and colleagues of Emilia-Romagna, this initiative was carried out together with the corporate recreational associations. Participation was considerable in 2015 also: 152 children joined the initiative, recording a 44% increase compared to 2014 and overall satisfaction level of 98.5%, showing a rising trend compared to the previous year.

De-mailing project

Work-life balance and the promotion of time-saving tools limit the dispersion of energy, reduce the company’s data management costs and encourage time saving throughout the day. With this in mind, Hera developed the De-mailing project. The aim of the project is to implement strategies that optimise the use of corporate tools, especially emails, and so reduce the number of emails sent thanks to the use of automatic procedures and alternative systems for immediate communication. This will help shorten the time spent for these activities during work. Another result of this project is the development a new, shared layout for company presentations, in line with the corporate identity and with particular focus on enhancing a clear and concise style.

Series of meetings: From CV to happiness

The Hera Group, together with the Marisa Bellisario Foundation, organised three meetings at the Bologna site to support the personal and professional development of working women. The meetings provided indications and tools allowing women to enhance themselves and grow both inside the organisations and in their profession, in order to achieve a proper balance, feel happy in the working environment and respond to events with a positive approach.

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 of 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. The financing project was completed successfully in 2015 and Hera has decided to continue all of the activities included in the project.

Coaching groups or individual counselling activities are organised for employees returning to work after a leave of at least two months for maternity/paternity or family care reasons (27 individuals involved in 2015).

Risk assessment process related to gender differences

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. The introduction of the law has made this need a specific obligation for the company. For this reason, a significant research-action activity was developed which showed how the individual protection devices are fully in keeping with the 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. Please refer to the "Health and safety" paragraph for details on the activities carried out in this area.

Career orientation

Hera Group's commitment continued in 2015 to support employees' children by organising a career orientation day. The meeting was held in Bologna on 18 June 2015 and provided useful information to job seekers, allowing them to understand the legislative context and get to know the parties involved, and helping them prepare job interviews and write an effective résumé. A first edition of the same event was also organised in the AcegasApsAmga area on 17 December 2015 in Udine.

Health courses

Health courses continued with around 240 free prevention check-ups in cooperation with Ant, and with the organisation of a breast cancer prevention event, which involved around 160 employees and their relatives.

Women staff (breakdown by position)

%	2013	2014	2015
Managers	16.2%	16.4%	18.5%
Middle managers	28.0%	28.8%	29.2%
<i>Total managers and middle managers</i>	<i>25.0%</i>	<i>25.9%</i>	<i>26.9%</i>
Management employees	32.9%	32.1%	32.0%
<i>Total managers, middle managers and management employees</i>	<i>30.3%</i>	<i>30.0%</i>	<i>30.3%</i>
Non-management employees	41.3%	41.1%	40.9%
<i>Total employees</i>	<i>38.3%</i>	<i>38.3%</i>	<i>38.2%</i>
Blue-collar workers	3.8%	3.8%	3.6%
Total	23.3%	23.3%	23.7%

Women staff levels among open-ended contract workers reached 23.7% in 2015, compared to a national average in the same sector of 16.5 in 2010 (source: Istat).

The impact of female personnel among managers and middle managers rose by 1 percent in 2014, settling at 26.9%. Considering all contractual qualifications that provide for a managerial role (managers, middle managers and management employees), women comprise 30%.

Personnel by age group

%	2013	2014	2015
Under 30 years of age	2.2%	2.1%	2.9%
Between 30 and 50 years of age	57.4%	54.6%	52.1%
Over 50	40.4%	43.3%	45.0%
Total	100.0%	100.0%	100.0%

There are over 3,700 open-ended contract employees over 50 years of age: an increase compared to 2013, confirming the ongoing upward trend from 2013 (+14%).

Part-time contracts

No.	2013	2014	2015
Men	38	50	47
Women	274	285	294
Total	312	335	341

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 2015, 213 requests for part-time arrangements were submitted, 210 of which were accepted. Over the last three years, preference towards part-time work among female workers continues to be strong (86% in 2015). In 2015, all requests submitted for part-time arrangements from women following maternity leave were accepted.

Maternity, paternity and parental leave

	2013	2014	2015
Maternity leave taken (no.)	37	44	39
Paternity leave taken (no.)	195	225	247
Duration of parental leave taken, per capita (days)	40	28	29

In 2015, 39 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, there is a marked rise in the number of leaves taken by men (102 in 2015 compared to 83 in 2014), 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.

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

No.	2013	2014	2015
Persons belonging to the categories set forth by Law no. 68/1999	397	392	400

The data refer to the following companies: Hera Spa, Marche Multiservizi, Uniflotte, Hera Comm, Hera Trading, Herambiente, Fea, Acantho, Hera Luce 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 legislation 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 2015, there were 400 persons belonging to the categories protected by Law no. 68/1999 working in Group companies: 334 were classified under Article 3 of the law (disabled). Overall the persons belonging to protected categories are: 151 blue-collar workers, 244 white-collar workers and 5 managers/middle managers.

Developing resources: 2014 plan implementation

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 in 2008 the Developing resources project was developed with the support of the Asphi Foundation which promotes the integration of differently-abled persons in schools, the workplace and society. Once again in 2015, ten 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

262,125 training hours provided in 2015 with an investment of over Euro 1 million and 730 thousand

At Group level, 262,125 (approximately 31 hours per capita) training hours were provided overall, increasing by 13% compared to 2014: around 40% were delivered using internal trainers. This increase is mainly due to the organisation of extraordinary training activities: State-Regions agreement, development process and, within Hera, on-the-job training and unbundling project which are included in the table below respectively in the quality, safety, environment and SA8000 social responsibility, technical-operational, information systems and managerial areas. Within AcegasApsAmga and Marche Multiservizi, the main training projects were AlphabEthics under the ethical values and corporate culture and Safety culture under the quality, safety, environment and SA8000 social responsibility area.

Total training hours per area of intervention

hours	2013	2014	2015
Sales and market	23,452	18,529	13,942
Managerial	29,137	20,033	26,555
Quality, safety, environment, SA8000 social responsibility	66,877	83,659	95,852
Information systems	13,443	22,560	23,468
Technical-operational	54,726	67,786	81,212
Ethical values and corporate culture	29,040	19,941	21,096
Total	216,675	232,058	262,125

Ethical values and corporate culture include the annual meetings of the Executive Chairman and the Managing Director, as well as the initiatives set up for disseminating the code of ethics (AlphabEthics, corporate social responsibility and code of ethics in day-to-day management). The managerial area specifically includes the training initiatives on the leadership model and on the new development process, institutional training activities for managers and middle managers, the elective

programme (process aimed at improving managerial performance) and other initiatives related to HerAcademy, the Group's Corporate University.

With regards to sales and market, an important initiative was implemented to develop innovative ideas and projects designed to improve customer services with a view to customer experience management (innovation lab project); furthermore, training initiatives on problem solving and effective business communication were continued.

In addition to ongoing commitment and investment in Quality, Safety and Environment - especially with regard to work health and safety topics and to training on the State-Region Agreement -, training on the updating of the 2015 reviews of ISO 9001 and ISO 14001 standards were carried out, with the involvement of Hera and AcegasApsAmga resources.

Lastly, in the technical-operational area, we gave further continuity to the scuola dei mestieri (school of trades), especially the on-the-job training activities in the operations area; whilst in the information systems area of note are the widespread and cross-cutting training activities related to the unbundling project.

Training hours (average, per capita)

Hours	2013	2014	2015
Managers	47.3	40.3	51.3
Middle managers	47.0	40.9	53.6
White-collar workers	25.7	27.2	30.3
Blue-collar workers	23.5	26.6	28.8
Project based contract workers and workers with staff leasing contracts	37.2	38.0	27.8
Average	26.4	28.0	31.4

There were 31.4 training hours per capita, an increase of 12% compared to 2014. The increase involves all positions. Average training per capita in female workers amounted to 28.7 hours (+9.5%) against 32.3 average hours in male workers (+13%).

Professional training in the main Italian utility companies

Hera is in third place among the 11 companies considered in the comparative analysis between the main Italian utility companies carried out by Utilitatis in terms of training hours per capita delivered to workers: the 2014 Hera value is 28.0 hours against an average of 14.3.

Percentage of workforce attending at least one training course

%	2013	2014	2015
Managers	99.7%	99.2%	100.0%
Middle managers	100.0%	96.6%	99.5%
White-collar workers	98.8%	96.0%	99.8%
Blue-collar workers	95.1%	97.1%	98.7%
Project based contract workers and workers with staff leasing contracts	90.2%	100.0%	100.0%
Total	97.3%	96.9%	99.3%

The workers involved in at least one training event totalled 99.3%: the result has risen by over 2% compared to the total of 2014. The reason for this is the development of widespread initiatives such as development process training (involving 500 workers in 2015) and the safety culture project in Marche Multiservizi.

Assessment of training

%	2013	2014	2015
Degree of satisfaction of trainees (quality perceived on a scale from 1 to 5)	4.25	4.26	4.38
Outcomes (correspondence with needs) (% of replies with assessment score of 4 or 5)	70%	72%	74%

Training, including hands-on training, is planned based upon a needs analysis in accordance with the Group's roles and competences model. This analysis 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 considers the degree of satisfaction expressed by the workforce attending the courses, alongside the assessments of the department managers with respect to the impact of training actions on the skill profile development of co-workers and 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 1 to 5. The above table shows the overall average assessment measured: the degree of satisfaction is on the rise compared to 2014.

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	2013	2014	2015
Sales and market	47	103	55
Managerial	311	364	398
Quality, safety, environment	370	564	604
Information systems	13	33	21
Technical-operational	176	309	430
Ethical values and corporate culture	62	15	9
Other	269	267	213
Total	1,248	1,655	1,730

The data refer to Hera Spa, Herambiente, Hera Comm, Hera Trading, Uniflotte, Hera Luce, Acantho, AcegasApsAmga and Marche Multiservizi.

The overall financial investment made by the Group in 2015 exceeded Euro 1.7 million, net of costs for staff undergoing training and internal trainers, around Euro 579 thousand of which related to the use of financed training funds.

Main training initiatives

In the Ethical values and corporate culture area, in addition to annual meetings with top management (for a total of 10,993 hours), of note is the continuation of the transversal training programme Corporate social responsibility and the code of ethics in day-to-day management (267 hours delivered): this programme was completed with an end-of-year seminar focusing on The CSR factor in corporate integration and involving over 40 internal resources. Implementation of the AlphasEthics training project in AcegasApsAmga also continued, with the aim of disseminating the principles and contents of Hera Group's code of ethics to the entire workforce (9,822 hours delivered). The initiative will involve 1,512 resources, 1,199 of which already trained in 2015 (around 80%). The AlphasEthics initiative offers top-down training with classes held by internal trainers: 43 workers were trained for this purpose.

In the managerial training area, in addition to significant training actions related to the leadership model (key element: focus on service) for a total of 4,576 hours, of note are the organisation of the first edition of the institutional management training programme (726 hours), which involved newly appointed managers, and the second edition of the institutional middle-management training programme (1,152 hours). This initiative involved middle managers either recently appointed or coming from outside. Both training programmes were organised with the contribution of some Group directors who were involved in the planning and teaching activities. The lean sigma / lean organisation (yellow, green, black and champions) training and certification programmes continued to be organised, totalling 1,779 training hours.

In the Sales and market area, training on customer communication techniques continued, especially communication in complex situations (around 1,408 hours overall) and training on sales negotiation and techniques (1.282 hours). Furthermore, the customer experience project aimed at developing innovative ideas

and projects to improve customer services was supported by organising 1,206 hours of training.

The innovation lab, aimed at generating innovative project ideas, falls into this context. It involved 70 Hera Comm workers in different training courses on creativity as part of a special laboratory (“world café”) and through collective dialogue. This technique was used to collect useful ideas from workers for the “customer experience” project which will carry out the first customer initiatives in 2016.

In the technical-operational area, further continuity was given to the Scuola dei mestieri initiatives and significant on-the-job training activities were implemented, mainly in the general operations department area, with 13,893 hours delivered. Furthermore, in this area, cross-cutting training was organised for company representatives in the supplier management and monitoring area.

Among the Information systems activities carried out, 4,908 training hours were delivered for the unbundling project, the initiatives related to the HergoAmbiente project continued (1,163 training hours), while 853 hours were delivered in the Administration area regarding implementation of the open text application.

The Group’s training actions continued to give key importance to training on safety in daily work practices: 95,852 training hours were provided overall in the Quality, safety and environment area (+15%), with particular reference to 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: in particular, the training course for energy management specialists and the edition dedicated to designers, plant managers and buyer energy management, totalling around 930 hours delivered. Of note are also the training activities on the review of ISO 9001 and ISO 14001 standards with 1,368 hours of training delivered.

With regard to AcegasApsAmga, in addition to the initiatives already reported, the change management and related integration activities continued: specifically, the activities regard alignment to the Group’s procedures and information systems. The activities carried out by AcegasApsAmga in the technical and operational skills area were also significant. They were mainly aimed at developing or refining the technical skills especially related to operational procedures or to the use of new tools.

With regard to Marche Multiservizi, of note is the extremely positive trend connected to training on compliance with safety legislation, as well as projects for raising awareness on the culture of safety, for example the safety culture project (3,056 hours of training delivered).

The Scuola dei Mestieri and its progress

The Scuola dei Mestieri is a consolidated system that for over ten years has developed and enhanced the technical and operational skills of the Hera Group, also with a view to knowledge management. Its aim is to raise the level of awareness of professional conduct and of skill transfer within the company.

Since its creation, the Hera Group has felt the need to arrange the distinctive skills of the various operational trades which are typical of the company (for example workers who collect waste and workers who connect new meters) in Notebooks.

Fifteen Notebooks have been created to share and preserve the Group's distinctive know-how over time: in 2015 they became available in digital format and are updated continually. The "Gas emergency service operator" notebook was reviewed in 2015 by adding the processes carried out in Triveneto.

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 by professional and thematic categories. They are groups aimed at producing and sharing action procedures and practical knowledge with the use of wikis and forums on the corporate platform.

In 2015, our commitment towards the activities and projects started over the past years continued, especially in the Sales and market, and Regulation matters and Energy tariffs spheres. Furthermore, new communities were set up in the Customer technical department, in order to improve the sustainability report (as a result of "The sustainable city" training programme carried out in 2015) and with regard to Energy management: the latter aims to achieve ISO 50001 certification on energy efficiency.

The leadership model

A good number of leadership model initiatives continued to be carried out in 2015. The first part of the year was dedicated to the training meetings envisaged for the key element of the focus on service model and its distinctive components: Customer orientation and Organisational awareness. In July, David Bevilacqua (Cisco System) and Marco Minghetti (OpenKnowledge) organised a focus seminar that concluded the year dedicated to Focus on service.

The second semester of 2015 focused on planning activities regarding the new key element Exemplary leadership and its distinctive skills Development of co-workers, Change leadership and Team leadership. The focus will continue also during the first semester of 2016 with a series of training activities and initiatives providing further insight.

Integration of AcegasApsAmga in all leadership model initiatives is fully consolidated.

During the course of 2015, training on the leadership model involved a total of over 4,576 hours.

Agreements with universities, business schools and research centres

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. The Group also works actively with various business schools including the Business School Foundation in Bologna (former Alma Graduate School), the Consorzio MIB School of Management in Trieste, ISTAO (Adriano Olivetti Institute) and the MIP-Polytechnic in Milan; it is also a member, together with the Pirelli and Ferrero companies, of the Assoknowledge-Confindustria scientific committee - Innovative and Technological Services. In 2015, the agreement for scientific cooperation with the University of Milan-Bicocca and CRISP (Inter-university research centre for public

utility services) was renewed: the 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 vehicles 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

	2013	2014	2015
Frequency index	23.9	22.6	20.6
<i>of which for ongoing accidents</i>	<i>4.8</i>	<i>3.4</i>	<i>4.0</i>
Severity index	1.3	0.6	1.28
Rate index	3.7	3.5	3.2
Average accident duration (days)	54.9	26.2	62.1
Number of accidents	290	277	264
<i>of which for ongoing accidents</i>	<i>59</i>	<i>43</i>	<i>52</i>

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 Spa, Marche Multiservizi, Herambiente, Fea, Uniflotte, Hera Luce, Hera Comm and AcegasApsAmga. These companies employ 91% of the Group workforce.

The accident frequency index for the Hera Group in 2015 was 20.6 (-9% than the previous year). This index rises to 24.5 (25.0 in 2014) if we consider the accidents lasting less than 3 days (49 in 2015).

The overall number of accidents for the Hera Group declined further in 2015 (-5% compared to 2014). The number of ongoing accidents (while travelling to/from work) accounted for 19.6% of the total, increasing compared to the figure of the previous

year (when it accounted for 15.8% of cases) although settling below the level reported in 2013.

The frequency index of the Group in 2015 was equal to 1.28, due to a mortal accident that occurred in March 2015. Net of the 7,500 days of standard accidents attributable to this accident, the index was equal to 0.7, practically constant compared to 2014 values.

In 2015, the number of days of absence due to accidents attributable to ongoing accidents (while travelling to/from work) accounts for 10% of the total days of absence (21% in 2014).

In relation to the mortal accident that occurred in Rimini in March 2015 to an employee of Hera Spa while driving a vehicle for the separate collection of glass, based on the investigations and appraisals of the Local Health Units of Rimini, on 16 September 2015, the public prosecutor at the Court of Rimini filed a request to end the proceedings, deeming that the cause of the accident was attributable solely to the employee's manoeuvre.

A mortal accident occurred in Padua 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 at the incinerator of Bologna in December 2010, following the request for committal to trial of a Hera Spa employee, a Frullo Energia Ambiente employee and a Herambiente 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". In October 2015 the public prosecutor challenged the decision: the hearing has not yet been set.

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 Spa employees and 1 Herambiente employee, the preliminary hearing was held on 3 April 2014 and the proceedings have been postponed to 13 May 2016 and to 30 May for the examination of witnesses and experts.

Occupational safety in the main Italian utility companies

In a comparative analysis between the main Italian utilities, Utilitatis considered frequency index of accidents lasting more than 3 days: the 2014 index of Hera (22.6) is almost half the average index of the 10 companies considered (equal to 49.0).

Accident frequency index (by function)

	2013	2014	2015
Grid services	17.6	16.4	16.1
Waste management services	38.9	33.4	34.5
Coordination activities	5.4	3.1	8.3
Average	20.4	19.9	18.1

The data refer to Hera Spa.

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 over half that reported in the waste management services, which have in any case dropped considerably over the three years taken into consideration.

Accident frequency index (by blue-collar workers)

	2013	2014	2015
Total	47.0	43.8	39.0
Of which grid services	33.1	30.0	28.1
Of which waste management services	64.7	58.8	53.3

Data refer to Hera Spa, AcegasApsAmga Spa and Marche Multiservizi.

Accident indices are higher for workers, since they are more at risk of accidents. In 2015, the accident frequency index for blue-collar workers was 39.0: the value has clearly improved over the three-year period in all companies taken into account and especially in AcegasApsAmga for all blue-collar workers involved in the grid services and in Marche Multiservizi for blue-collar workers involved in waste management services.

With regard to Hera Spa, a detailed analysis of the manner in which accidents occur reveals that falling/slipping and ongoing accidents are the two main causes of accidents (45% and 28% of the total days of absence due to accident, respectively). Injuries caused by road accidents at work instead represent 9% of total cases.

Accident indexes of some subsidiaries (2015)

	AcegasApsAmga	Herambiente Group	Marche Multiservizi	Hera Comm	Uniflotte	Hera Luce
Frequency index	21.8	22.3	46.7	18.7	9.6	18.4
Severity index	0.9	0.5	1.9	0.4	0.04	0.5
Rate index	3.6	2.5	7.5	2.4	1.3	3.1
Workforce	1,563	801	583	665	155	65

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 24.4 to 21.8), Herambiente Group (from 24.5 to 22.3), Marche Multiservizi (from 51.3 to 46.7) and Uniflotte (from 30.3 to 9.6). The figure regarding Hera Luce is above the 2014 figure but 38% lower than the 2013 figure. In Hera Comm, an increase in the index is reported due to the increase in ongoing accidents (9 compared to 4 in the previous year).

A key topic for the purpose of preventing accidents is the ability to report, collect and analyse accidents and near misses. Near misses are anomalous events that could have caused detrimental effects to objects or persons which could have potentially generated an accident. Their correct analysis prevents the occurrence of accidents. The Hera Group places great emphasis on correctly reporting, analysing and examining near misses. The trend of near misses is monitored on a monthly basis to check compliance with the specific objectives assigned to the various departments in terms of capacity to collect these data. In 2015, the ratio between near misses reported and accidents that occurred for the Group's scope of reporting was 173% (126% in 2014). The indicator shows a growing trend over the past three years (equal to 91% in 2013). Of note in the Group's overall result are the results achieved by Hera Spa (214%) and by Herambiente (620%, equal to 124 near misses reported compared to a total of 20 accidents). 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, collisions and crushing. In 30% of cases, the analysis of the events allowed specific corrective actions to be implemented aimed at eliminating the causes that generated the event.

During 2015, intensive training and information activities (in compliance with the State-Regions agreement) directed towards the entire workforce were concluded. 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, work at height and work in the presence of moving vehicles). More specifically, 83 training activities were organised at the training site in 2015, involving around 1,500 Group Hera workers for a total of 9,400 hours.

During 2015, a new training procedure for Hera Spa safety supervisors was planned and tested by organising three pilot sessions (involving around 50 supervisors). The training module, in compliance and implementation of the provisions laid down in the State-Regions agreement, provides important experience-based knowledge aimed at strengthening safety at work culture and enhancing communication skills. In 2016, around 350 Hera Spa operators will take part in this important training module on health and safety.

During 2015, with active participation of the operating lines and cooperation of the prevention and protection service, the new health and safety IT system (SAP EHS) started to be implemented in some of Hera Spa's business units. Gradual extension of the IT system to other business units of Hera Spa is envisaged during 2016 as well as a specific training course for managers and supervisors in all structures involved.

A project on personal protection devices, with specific focus on the comfort of workers, was set up 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 project was further developed in 2015 which defined the requirements for the construction of prototypes for three types of protection devices and occupational clothing (jumper/fleece, high visibility vest, trousers). The prototypes will be developed and tested on field during the first months of 2016 with the contribution of a group of specifically identified 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 two 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 were launched in 2015. A nutritionist was available on the company premises on certain days and information banner stands and monitors were installed in the canteens. Furthermore, a specific information section was in the corporate portal and made available to all workers.

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 based on the priorities of the improvement projects in progress.

During 2015, a SAP IT tool was designed and launched to support the entire process for monitoring accidents to suppliers (entry of single accidents and submission of annual summary).

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.

During 2015, maintenance visits for OHSAS 18001 certification regarding work health and safety were carried out by DNV GL in AcegasApsAmga. During the year, training and information activities provided to company personnel were increased and an awareness raising campaign regarding the use of individual protection devices was set up. In order to check conduct and compliance with working procedures, tests were carried out by safety supervisors and managers by filling in specific oversight checklists. In 2015, intensive training and information activities were provided to all company personnel and an awareness raising campaign regarding the use of individual protection devices was set up. In order to check conduct and compliance with working procedures, tests were carried out by safety supervisors and managers by filling in specific oversight checklists.

Remuneration and incentives

Sustainability objectives are included in employees' bonus systems

The Hera Group defines and applies a general remuneration policy aimed at attracting, motivating and retaining resources having the professional qualities requested to profitably achieve the Group's objectives.

The policy is defined so as to align the interest of various stakeholders and to achieve the priority objective of creating sustainable value in the medium-long period, through consolidation of the connection between remuneration and performance, both individual and Group-related.

All Group employees are hired through national collective labour agreements.

With reference to the 2015 Federgasacqua labour agreement, which governs the employment relationship of 49% of Group workers, the table illustrates the gaps between gross monthly remunerations (net of accrued 13th and 14th monthly pay and of performance bonus) and those specified by the labour agreement. 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.

Euro	Min. pay/salary (according to lab. agr.)	Min. pay/salary (Hera)	Average pay/salary (Hera)
Middle managers	3,012	3,261	4,634
White-collar workers	1,661	1,756	2,775
Blue-collar workers	1,661	1,824	2,399

The data refer to the following companies: Hera Spa, Uniflotte, Hera Comm, Hera Trading, Herambiente and Fea.

The average salary applied 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.

Even the minimum salary applied is 8% higher than that envisaged by the labour agreement for middle managers, 6% higher for white-collar workers and 10% for blue-collar workers.

These differences are directly related to the average age level of our corporate population, which is 48.2 years of age, and to the policies aimed at favouring internal professional growth.

Ratio between senior management compensation according to labour agreements and Hera levels (Confservizi contract)

Euro	2015
Minimum according to labour agr.	4,846
Minimum Hera Group	5,538
Average pay/salary Hera Group*	9,035
Average market salary for managers	9,831

* the figure is calculated on a sector of corporate population with an average age of 51.8 and average seniority of 15.7 years.

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. The contract of reference for this qualification is the Confservizi contract. The average salary of Hera managers is 86% higher than the minimum according to the labour agreement, while the minimum salary applied by Hera is 14% higher than the Confservizi contract. The average salary of Hera managers is 8% lower than the average market salaries for managers, as reported in the Hay Compensation Report - Total Cash Italia 2015.

For this position also, the differences between the salaries applied and labour agreement references are the result of the application of previous economic schemes, also with regard to age (on average 51.8) and of years of stay in the company (on average 15.7 years).

Average salaries by gender (2015)

Euro	Men	Women
Managers	9,763	8,171
Middle managers	4,701	4,524
White-collar workers	2,864	2,663
Blue-collar workers	2,399	2,286

The data refer to the following companies: Hera Spa, Uniflotte, Hera Comm, Hera Trading, Herambiente and Fea.

The salary gap between men and women within the management class is significant (approximately Euro 1,592): this figure is influenced by the number of female directors (5 out of 41). The salary gap for middle managers, blue-collar workers and white-collar workers is contained. The salary gap between men and women is due to the fact that 68% of management employees are male. Regarding managers, white-collar workers and blue-collar workers, the ratio of the remuneration of women to that of men (93%) is significantly higher than the national average (79% in 2010) and that of the water and environmental sector - 89% in 2010 (Source: Istat).

In 2015, the ratio in the Hera Group 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 has not varied since 2009, whereas the median variation percentage of workers was +3.4%.

Gross performance bonus (per capita)

Euro	2013	2014	2015
Middle managers	1,567	2,038	2,054
White-collar workers	1,357	1,766	1,780
Blue-collar workers	1,252	1,628	1,642
Weighted average	1,329	1,733	1,747

The data refer to the following companies: Hera Spa, Uniflotte, Hera Comm, Hera Trading, Herambiente and Fea.

The 2015 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. 50% of the bonus is related to Group profitability measured from the gross operating margin, 25% is related to productivity measured from the gross operating margin per capita and the remaining 25% is related to specific indicators identified centrally. These indicators also include sustainability aspects: gas emergency call response times, gas and water network inspections, compliance with commercial quality standards, water network leaks, separate waste collection, reduction of complaints, near miss reporting, average waiting time at branches and call centres, and customer satisfaction index.

Bonus system related to short-term variable remuneration

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, furthermore, 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.

In 2015, 53% of the variable remuneration of Hera Group managers was linked to the completion of the projects planned in the balanced scorecard system: the remaining 47% is linked to respect of budget objectives and compliance with the behaviours set forth in the Leadership Model. The balanced scorecard system involves 89% Group middle managers and managers. In 2015, preparatory activities for extending the balanced scorecard system to the middle managers and managers of Marche Multiservizi were carried out.

Pension funds

The number of employees participating in the pension funds as at December 2015 was 5,476, or around 65% of total Group employees. Open funds, i.e. non-negotiable funds, increased. The main pension funds are: 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. 89% of total employees enrolled in pension funds are enrolled in these three funds.

Yield of the main pension funds (balanced sub-fund)

%	2013	2014	2015
Pegaso	7.78%	8.16%	2.30%
Previambiente	6.80%	8.87%	3.11%
Previndai	2.98%	4.49%	3.05%

Industrial relations

At Group level, on 28 July 2015, Hera Group's new industrial relations protocol was entered into with sector-specific national trade-unions organisations. This protocol is valid for all Group personnel and, therefore, for all Hera Spa facilities and national subsidiaries.

The new protocol was necessary given the new corporate and territorial scope. Thanks to this instrument, the parties aim to make trade-union relations more functional to achieving the corporate objectives in terms of efficiency, quality and productivity.

The protocol sets forth a new three-level system of industrial relations, with the aim of ensuring specialisation, not repetition, by defining the specific skills of each level: Group level, management level, business/sector unit or single subsidiary and level of local organisational unit.

In line with what already applied, the new protocol will continue to promote trade-union relations by involving employees in a reference system that envisages phases regarding preventive/post-completion information, shared review/dialogue and negotiation.

The new protocol will also provide for the establishment of a Hera Group trade-union relations committee equally composed of company management representatives and national representatives of the trade unions that signed the protocol, as well as of 16

workers' representatives appointed by the trade-union organisations. The purpose is to promote a shared information and analysis model.

The committee will meet, as a rule, once a year and its task will be to explore specific issues established by the protocol, such as:

- illustration of the guidelines of the Group's Business Plan;
- presentation of the economic, regulatory/legislative and sector-related scenarios;
- definition of a joint roundtable aimed at promoting a participatory system that more closely involves workers and trade unions in the company's main choices;
- corporate welfare improvement initiatives;

In the new protocol, the validity of the previously established technical study for organisational and work quality innovation (LaborHera) was confirmed. The technical study will be composed of no more than 20 members appointed by the trade unions and no more than 4 experts appointed by the company. It shall meet on a quarterly basis or at the request of either party for the purpose of monitoring specific topics established in the protocol: safety, training, tenders, development investments programmes, bonuses, social responsibility and work organisation. The technical study does not have a negotiating nature and may therefore put forward proposals to be submitted to consultation of the parties.

A meeting report was also signed with the national trade-union representatives and the Group's trade-union coordination regarding Hera Group's organisational and corporate development deriving from unbundling requirements. Following signature of the meeting report, the parties organised specific meetings and set up an in-depth process necessary for the new corporate scenario and ensuing consequences.

For the first time at Group level, the meeting on funded training was also signed.

In the Emilia Romagna Area, the standardisation of conditions resulting from local bargaining continued. In the areas of Ravenna and Forlì-Cesena, during the summer period, working hours in specific operating contexts were standardised resulting in the reduction of on-call overtime. In the Ferrara area, agreements were signed regarding the overcoming of certain indemnities no longer in keeping with the changes in working environments (clothing, manipulation and gas odourising transfer). In the Ravenna area, for employees with a waste management services collective labour agreement to whom 2 November was paid as a bank holiday, starting from 2016, this bank holiday has been removed.

Furthermore, the economic and regulatory conditions for all Herambiente Spa employees with regard to holidays, recovery of overtime, additional time off, medical examinations, delays and work travel, were aligned with those in force in the Group.

With regard to on-call, verification meetings continued following implementation of the new emergency organisational model. This dialogue led to the signature of meeting reports in which the decision to carry out further improvement actions was taken, both with regard to the organisation model and to the scope of operation.

Agreements were also entered into with respect to the reporting (2013-2014 period) and definition (year 2015) of the performance bonus indicators, in compliance with the provisions of the supplementary labour agreement of 5 March 2014.

In line with the regulatory code on the procedures for exercising the right to strike provided for by the National Collective Labour Agreement for waste management services, by way of a verbal agreement between Hera Spa and the trade union organisations of the Bologna environmental sector, the new minimum essential services were defined to be performed in the case of strike. The agreement makes it possible to edit and update the currently existing services downstream of the organisational changes in the Waste Management Services Department - Bologna area.

In the month of June, the procedure for the joint examination provided for by law for the merger by incorporation of Akron into Herambiente was completed. The procedure for the joint examination, provided for by law, regarding transfer of the company branch from Geo Nova to Herambiente concerning management of landfills and of the storage plant, was also completed. Furthermore, the procedure for the joint examination, provided for by law, regarding transfer of the company branch from Geo Nova to Herambiente concerning “containers handling” was completed.

In July, the agreements on the so-called virtual security pilot project, aimed at protecting employees from potential and dangerous forms of aggression by customers, were signed in Hera Comm, for the operators of the Ferrara, Forlì and Modena branches. After the conclusion of the pilot project, its extension to other local areas will be considered.

In November, an agreement regarding the snow emergency service for the 2015-2016 winter season was signed in Modena with the trade unions of the waste management sector. This agreement allows a more functional management of the service with respect to the needs expressed by the Municipality of Modena.

Lastly, in the Modena and Ferrara areas, agreements on the 2016-2017 production calendar with regard to collection services during holiday periods were signed with the corporate representatives of the waste management sector.

In the Friuli Venezia Giulia and Veneto area, during 2015, trade union agreements regarding the standardisation of working hours with respect to the existing agreements in Emilia-Romagna area of the Hera Group, were signed within AcegasApsAmga Spa. Thanks to these agreements, the working hours in the local area of Venete-Friuli Venezia Giulia are fully in line with those of the Hera Group's other local areas. Following standardisation of the performance bonus model achieved in 2014, standardisation of the economic aspects of this system was completed, by aligning the necessary procedures in the local area of Udine.

Agreements were signed with trade union organisations aimed at installing GPS equipment on all AcegasApsAmga Spa vehicles providing sweeping and waste collection services. Based on these agreements, operators, vehicles and containers will be provided with geopositioning equipment aimed at improving the efficiency and control of costs within the areas of application (sweeping and waste collection).

In the Veneto area, canteen conditions were standardised with those of the Hera Group. Activities continued for standardising various instruments set up in the areas of Veneto and Friuli Venezia Giulia with those of the Group, and for updating the trade union agreements regarding installation of video-surveillance equipment in AcegasApsAmga facilities.

A trade union agreement was also signed aimed at standardising the emergency management procedure in Hera Group's gas, water and electricity sector.

The procedures for the joint examination set by regulations and preliminary to the implementation of certain corporate operations were concluded. These operations include: transfer of the public lighting branch of Sinergie to AcegasApsAmga Spa and transfer of the company branch regarding the waste-to-energy plants of Padua and Trieste to the newly-founded Hestambiente, 70% owned by Herambiente and 30% by AcegasApsAmga Spa.

In the Marche area, on 23 March 2015 the agreement on the performance bonus was signed. The agreement consists of three fundamental parts plus an extra bonus. The first part is connected to corporate profitability (gross operating margin results), the second to achievement of corporate quality objectives and the third to quality and production objectives specific for each business area. An extra bonus of Euro 50 is included if the accident frequency and severity indices improve compared to the previous year.

Furthermore, an agreement on the closing of facilities was signed, where it was decided to close facilities during the week to recover untaken holidays.

Again in Marche Multiservizi, a training plan was approved and two agreements were signed in September: the first was addressed to the managers and operating personnel of the network function "creating a culture of safety", aimed at improving and increasing awareness on effective safety and teamwork conduct; the second for credit recovery and legal corporate services "credit recovery method and negotiation skills", aimed at improving and increasing both awareness and skills with regard to effective conduct and at improving the approach taken with customers.

Open-ended contract workers that are members of unions (breakdown by trade union)

No.	2013	2014	2015
CGIL	2,554	2,580	2,467
CISL	806	821	788
UIL	747	738	716
CISAL Federenergia	32	8	45
FIADL	268	245	238
RDB	25	0	0
ADL			8
UGL	48	38	30
USB	19	41	29
FESICA CONFISAL	18	16	12
FEDERMANAGER	14	7	13
ASSOQUADRI	19	17	0
CIU MIDDLE MANAGERS	0	1	1
SNALV			5
CONFIAL			1
Total	4,550	4,512	4,353
Percentage of workforce as at 31/12	55%	54%	53%

The data refer to Hera Spa, AcegasApsAmga, Marche Multiservizi, Hera Comm, Hera Trading, Uniflotte, Herambiente, Hera Luce and Medea.

53% of the Group's open-ended contract workers are members of a union: around one percentage point less than in 2014. Analysis of the figures by position shows that the union membership rate of blue-collar workers (65%) increased by one percentage point, while the rate of white-collar workers dropped by two percentage points (49%) and the rate of middle managers by three percentage points (23% of the total).

Open-ended contract workers that are members of unions (breakdown by position)

%	2013	2014	2015
Middle managers	31%	26%	23%
White-collar workers	52%	51%	49%
Blue-collar workers	66%	64%	65%
Total	55%	54%	53%

Data refer to Hera Spa, AcegasApsAmga, Marche Multiservizi, Hera Comm, Hera Trading, Uniflotte, Herambiente, Hera Luce and Medea.

Strikes (hours)

Hours	2013	2014	2015
Total time on strike (hours)	22,186	10,483	727
Time on strike (per capita)	2.9	1.4	0.1

Data refer to Hera Spa, AcegasApsAmga, Marche Multiservizi, Uniflotte, Hera Comm, Hera Trading, Herambiente, Fea and Acantho.

Two 50-minute strikes were announced in 2015 by Fp-Cgil, Fit-Cisl, Ultrasporti-Uil and Fiadel, following the mortal accident that involved a Hera Group employee in 2015 and two mortal accidents in Pordenone and L'Aquila that occurred in plants not run by companies belonging to the Hera Group.

Further two strikes, announced by national independent trade unions and by the local trade unions of Ferrara Filctem, Fp-Cgil, Uiltec, and Ultrasporti-Uil, for overall 12 hours, regarded political and economic issues such as the Jobs Act and the national welfare system.

Litigation with the workforce

No.	2013	2014	2015
Litigation pending at the close of the year	42	49	43

As at 31 December 2015, 43 cases of litigation were pending in the Group: specific balance sheet provisions were made in view of the potential costs. Excluding AcegasApsAmga, there were 15 cases of litigation pending at year end. Of these, one was for recognition of a higher employment level, four for dismissals for just cause, two for recognition of an open-ended employment agreement, four for compensation of damages and payment of contractual indemnity; one was pending to appeal a transfer, two regarding pensions and settlement of contributions; and one was promoted by the company. In 2015, ten cases were initiated. The AcegasApsAmga Group has 28 occupational cases pending: in 2015 cases were initiated by former temporary workers and by a worker hired by a contractor, totalling 11 new cases. Marche Multiservizi does not have any pending cases.

In 2015, 179 disciplinary measures were taken against Group employees, in compliance with the applicable national labour agreements (155 in 2014): they involved oral or written reprimands (63 cases), withholdings on salary (73 cases totalling Euro 1,513) and 39 temporary suspensions from work. In five cases, it was necessary to resort to termination without notice.

The internal climate survey and other dialogue initiatives

In 2015, the 6th corporate climate survey was carried out. The initiative was launched ten years ago and is carried out every two years: it has listened constantly and closely to workers who are called to express their satisfaction level on the main corporate processes, the organisation, the working tools made available to them and their involvement. For the first time, this year the survey involved all Group employees at the same time. In addition to AcegasAps colleagues, who had already participated in the 2013 survey, and to Amga colleagues, involved in autumn 2014 straight after their entry in the Group, the questionnaire was also sent to Marche Multiservizi employees: the journey towards the ever increasing integration of all Hera Group companies continued.

The objectives that the Group set out to achieve were 66% participation of the corporate population and achievement of the Esi target with a total of 63 points out of 100 (personnel satisfaction index). The results show achievement of the Esi target

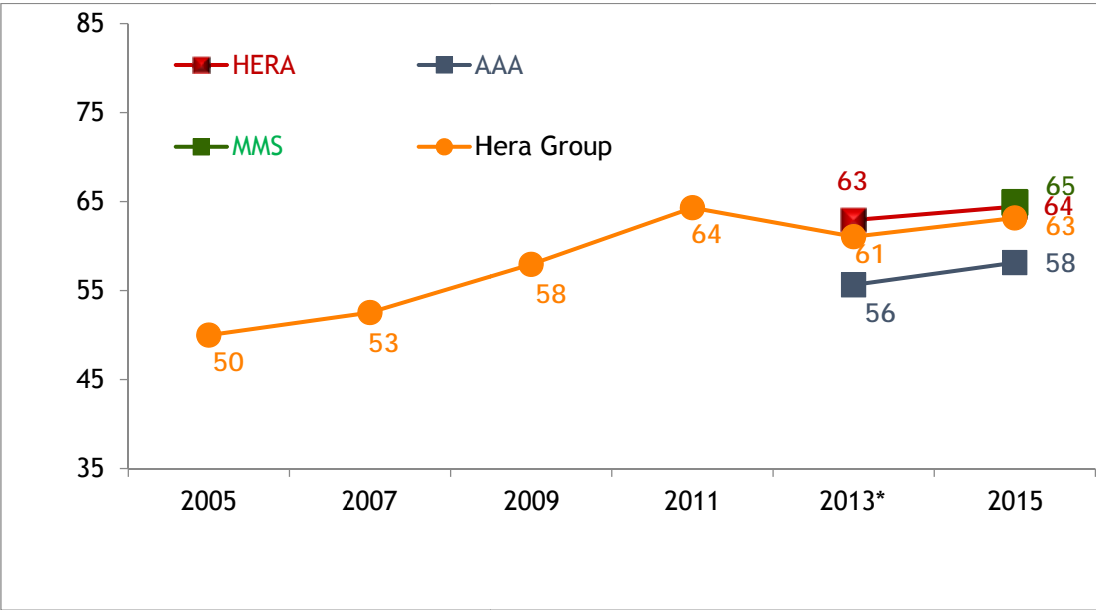
equal to 63.2 points and overachievement of the participation objective, which reached 70.7%.

Among the most significant elements, the gap between the satisfaction surveyed through the customer satisfaction surveys and that perceived by the personnel dropped to 7 points, slightly lower than 2013 (8 points). Among the initiatives most appreciated by the workers, of note are the meetings with the Chairman and Managing Director, the top-down meetings with managers and training.

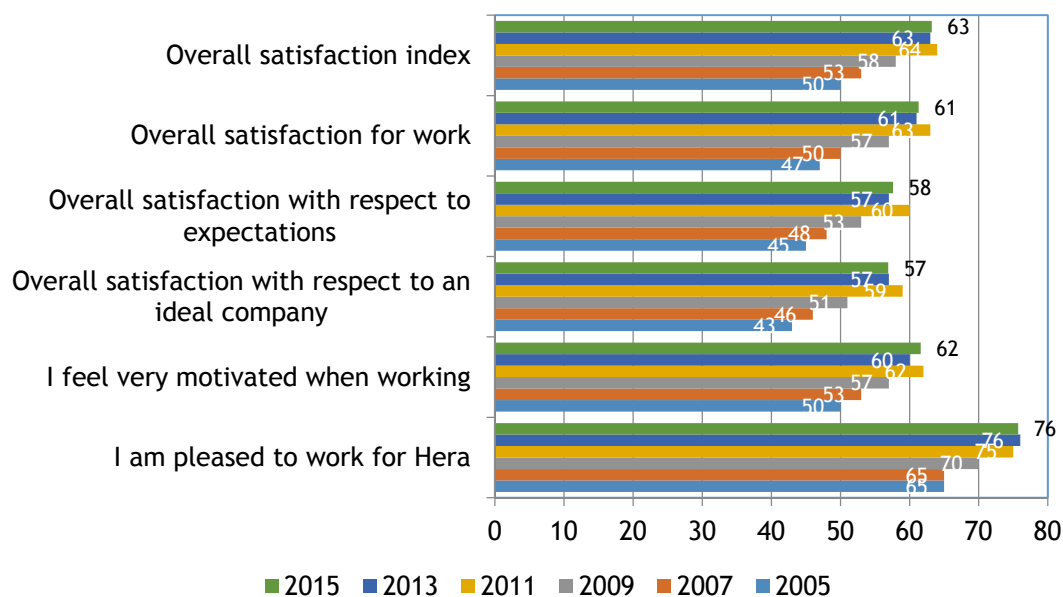
The methodology used for the employee satisfaction survey

The internal climate survey is conducted with a guarantee of full anonymity for the respondents: the questionnaire is delivered in a pay slip envelope to all employees and returned in a self-addressed sealed envelope within one month. It has been designed to verify the extent to which the improvements made following the previous survey are appreciated by the personnel. The assessments of the results are expressed in numerical scales, with thresholds corresponding to the various levels of satisfaction: under 50 points indicates insufficiency, up to 59 indicates less than complete satisfaction, between 60 and 70 indicates a good level of satisfaction and above 70 indicates “very satisfied”.

Overall satisfaction index

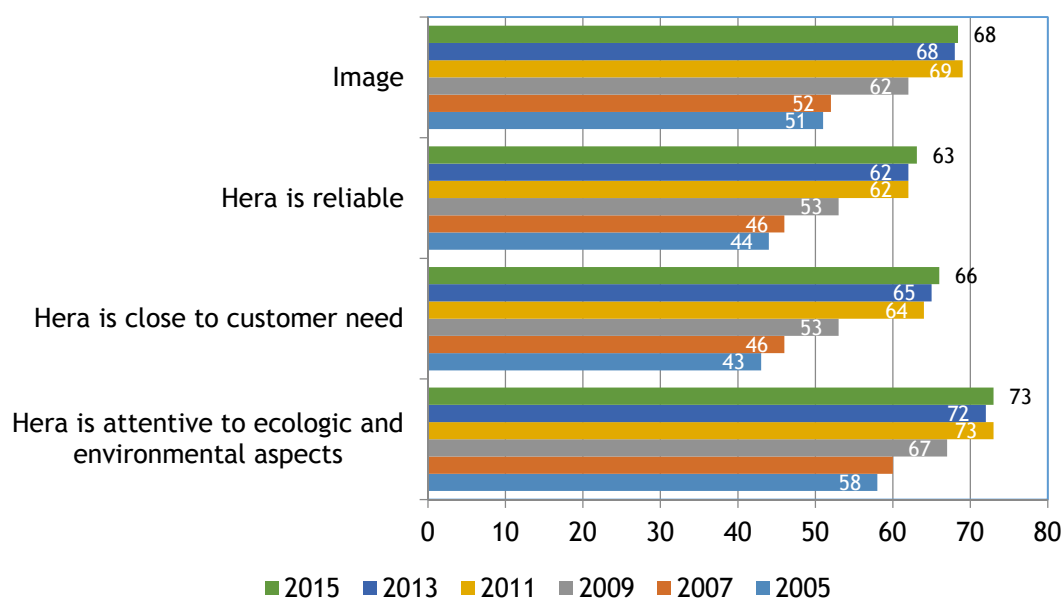


Employee satisfaction indices



Excluding AcegasApsAmga and Marche Multiservizi up to 2015.

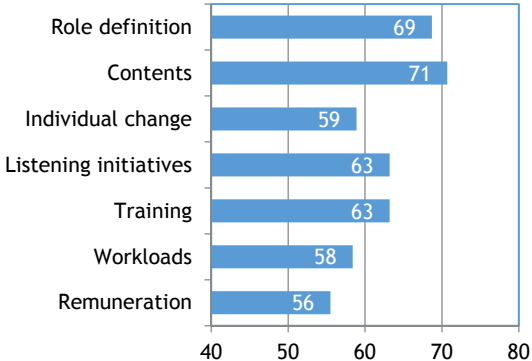
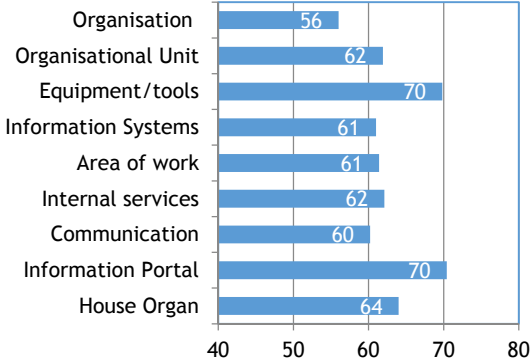
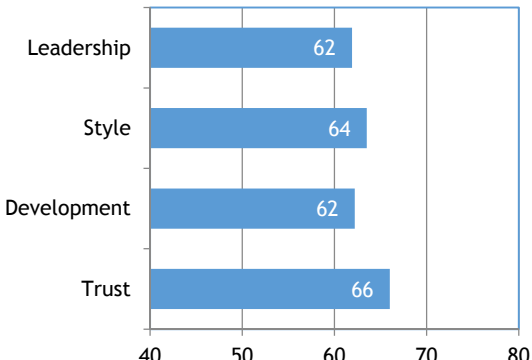
Hera's image with employees

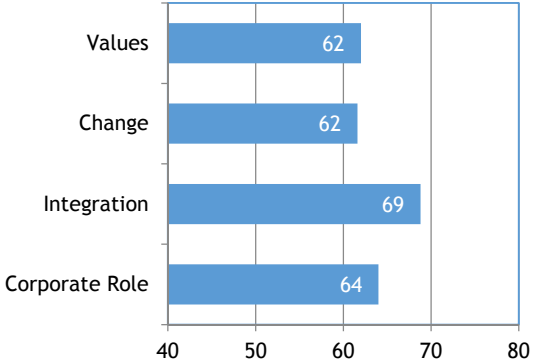


Excluding AcegasApsAmga and Marche Multiservizi up to 2015.

As usual, the improvement actions which will be reported during the next two-year period in order to improve the internal climate index were reported. The main findings that emerged from the 2015 survey and the new improvement actions will be disclosed to all workers in April and May 2016. For the areas in which the main satisfaction gaps were found compared to the overall average values, it was decided

to further analyse the results, determine together with the population the improvement actions to be carried out and check their effectiveness with a further simplified survey at the end of 2016, in view of the subsequent overall climate survey of 2017. Furthermore, top-down meetings will be organised in every organisational unit in order to share important corporate information and specific to the area concerned in order to ensure full understanding and dissemination.

Role in Hera																					
Summary of results...	the new internal climate actions																				
 <table border="1"> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Role definition</td> <td>69</td> </tr> <tr> <td>Contents</td> <td>71</td> </tr> <tr> <td>Individual change</td> <td>59</td> </tr> <tr> <td>Listening initiatives</td> <td>63</td> </tr> <tr> <td>Training</td> <td>63</td> </tr> <tr> <td>Workloads</td> <td>58</td> </tr> <tr> <td>Remuneration</td> <td>56</td> </tr> </tbody> </table>	Category	Value	Role definition	69	Contents	71	Individual change	59	Listening initiatives	63	Training	63	Workloads	58	Remuneration	56	<ul style="list-style-type: none"> • Spreading information about the Group's remuneration policy (including the actions set forth in the new welfare plan) • Enhancing the results obtained over time following organisational changes by way of informative articles 				
Category	Value																				
Role definition	69																				
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Individual change	59																				
Listening initiatives	63																				
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Category	Value																				
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Category	Value																				
Leadership	62																				
Style	64																				
Development	62																				
Trust	66																				

Corporate culture											
Summary of results...	the new internal climate actions										
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Category	Score										
Values	62										
Change	62										
Integration	69										
Corporate Role	64										

Compared to the 2013 survey, all of the improvement actions which had been planned were actually developed.

Progress to 31 December 2015 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 2015
<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 resource evaluation and segmentation abilities by strengthening managers' ability to provide constructive feedback to co-workers 	<ul style="list-style-type: none"> • An article was published in the house organ in November 2014. Presentation of the new development process was organised in various committees. An article was published in the house organ regarding Top Employers certification with indication of the Group's merit-based policies • The new development process was presented in the various Group committees. The Key Roles project was developed for four professional categories: environment, sales, information systems, administration, finance and control. In compliance with the new development process, specific meetings were held in 2015 aimed at strengthening co-workers' evaluation and segmentation abilities.
Workplace	
Improvement actions	The situation as at 31 December 2015
<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 published in the house organ in February, with a coupon attached to detect topics of interest and other internal communication channels. A survey was carried out during the fourth quarter on Pia and VedoHera • Improvement groups were set up in AcegasApsAmga. Furthermore, various corporate population listening initiatives were carried out (e.g. focus groups, interviews, questionnaires on the definition of the welfare plan) • All project activities were continued. The summer camps were set up (152 children of employees joined the initiative) and a satisfaction questionnaire was sent in September to all employees who had enrolled a child in at least one of the camps: the results of the

	questionnaire show a satisfaction level for the organisation procedures of 4.7 out of 5
Immediate superiors	
Improvement actions	The situation as at 31 December 2015
<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"> The orientation to excellence plan for the Hera Group (including AcegasApsAmga) was developed entirely. The introduction workshop for Amga managers and middle managers as well as events examining co-worker management were organised. The focus seminar on the key element orientation to excellence was carried out on 24 July 2014. Institutional training programmes were carried out for new managers and middle managers with highly qualified internal and external trainers.
Corporate culture	
Improvement actions	The situation as at 31 December 2015
<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 Launching a technical survey on the adequacy of vehicles and equipment and on maintenance standards compared to the perception recorded. 	<ul style="list-style-type: none"> Articles and news were published in six numbers of the house organ. Dedicated communication created for all area function managers involved in the SA8000 maintenance verification of Dnv GL: the contents disclosed information about the standard, focused mainly on the importance of the interviews and promoted attendance of the e-learning course. A brief information document was attached to the email which may be distributed to co-workers during internal meetings. A special section in the house organ of February 2014 was dedicated to the results of the 2013 climate survey: it briefly reports the main aspects and the new improvement actions. In March 2014, 12 meetings regarding the presentation of corporate strategy guidelines were organised. The campaign for a healthy diet is a project that was started during the first months of 2014. Two meetings with the canteen service supplier were organised to collect information about the workers' dietary habits. In July 2014, a survey on the dietary habits and lifestyles of Hera's population was carried out. From February 2015, specific information initiatives for employees were carried out regarding healthy diets (e.g. installation of banner stands and information monitors). The working group held various meetings on the basis of the protocol signed by the parties: company processed data was analysed on the use/management of individual protection devices to be prototyped (footwear and clothing) upon completion of the project. Focus groups were organised and questionnaires were submitted to employees. Equipment for AA03 class vehicles was installed (side-loading waste compactors) and software updating was necessary. Regarding the issue of the control procedure, the operating instructions entitled Use of Dst waste equipment was drawn up together with the related form for reporting blocking of the equipment. The first edition of HeraSolidale (two year period 2014-15) was carried out. Over 800 workers joined and

<ul style="list-style-type: none"> • Developing the HeraSolidale project • Defining a corporate welfare plan • Continuing to develop the Positive return policies project and the DOAR (Developing resources) project. 	<p>supported nine associations of the local area through monthly donations withheld directly from their payslips. Over Euro 43 thousand collected from workers (Hera doubled the amount). The second edition was planned (two year period 2016-2017) and launched with the December HO.</p> <ul style="list-style-type: none"> • The following were organised: a benchmark with other companies, a survey (online and paper) with submission of a questionnaire to a sample of one thousand people, ten focus groups composed of 10 persons each. The listening phase led to an overall report and the welfare plan was prepared which will be launched in 2016. • In 2015, ten disabled employees were involved in individual development projects.
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Other dialogue and consultation initiatives

The meetings with the Chairman and Managing Director and all Group employees continue to be a key information and involvement tool. 21 meetings were held, for a total of 5,886 participants over the entire local area, to speak about the results achieved, the business plan, the results of the customer satisfaction survey and the main on-going projects.

With regard to the Technical study group for organisational innovation and work quality (LaborHera), the protocol signed by the trade union organisations in July 2015 was confirmed. On the date of approval of this report, the appointment of the 20 members is still pending. The two meetings held during 2015 in the performance bonus objectives were held with the members of the trade union organisations appointed in the previous protocol of industrial relations.

Internal communication

Many activities and initiatives were implemented to increase the dissemination and sharing of corporate projects and to stimulate the involvement of the entire workforce as part of the Hera community.

A first sphere regards Paper and digital information to employees on the results, main projects and corporate values. In 2015, the house organ was completely restyled: it was given a new form and its contents were improved with interviews and scenes from professional life; it is now capable of talking about those who are less visible in traditional information channels in order to bring the house organ closer to operating personnel. The house organ was relaunched with the support of 80 employees (40 in Emilia-Romagna and 40 in AcegasApsAmga), through focus groups in order to test the effectiveness and general satisfaction of the internal communication tools, more specifically, of the house organ and the new graphic proposals, presented and reviewed thanks to the contribution of the people taking part in the focus groups.

In terms of benefits for employees, agreements were set up for free or reduced entrance fees to exhibitions, shows and concerts: in 2015, 1,135 persons benefited from the agreements in all local areas.

The project for the promotion of nutritional education, coordinated by the facility in collaboration with the canteen provider, was developed widely. The Project was supported by a number of internal communication initiatives, such as the opening of a web space on the corporate portal, articles on the HO and the promotion of free meetings for employees with a dietician.

As usual, workers and their families particularly appreciated the recreational and sporting gatherings: they are 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 ninth edition of the Hera Ski Adventure giant slalom counted 400 participants: the initiative was extended to the workers of Padua, 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. 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 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: the company provides space for recreational activities or for management of these activities. The initiatives are promoted through internal communications instruments to ensure greater visibility.

Excluding AcegasApsAmga and Marche Multiservizi, 4,995 employees were members of the associations in 2015 and the activities of the associations were financed with contributions by the company (approximately Euro 590 thousand) and by employees (Euro 17 thousand). Participants in the activities organised by cultural associations amounted to 19,417.

Case studies for employees

Workforce

Social certification (SA 8000)

In 2015, the SA8000 management system certified by Dnv GL was consolidated. It was applied for the third year in Hera with many positive results.

Hera Spa passed the fifth inspection for maintenance in 2015. It was conducted from February to April and given the good management of the system, verifications will be cut from a six-monthly to an annual basis. The good outcome of the verification ended with no non-conformity being detected. Only some health and safety topics to be examined in further detail were determined, together with the request to continue with the actions already started in 2014 on the monitoring of working hours and planned training on safety standards (for example, with regard to work in confined spaces). Furthermore, it was expressly requested to strengthen the role of SA8000 workers' representatives.

Many strong points were emphasised: among these, strong attention to work safety aspects and effective supervision of suppliers which "led to a notable increase in their level of awareness of safety and SA8000 issues". The actions in this context aim at preventing risks regarding non-compliance with SA8000 requirements by Group suppliers and are set out in the report.

Hera Educational and the school-work alternation paths

In 2015, the Group defined an organic strategy to communicate with the educational system - Hera Educational - by continuing the project "Hera teaches you a trade...at school". Representing one of the development topics of the Scuola dei Mestieri, the initiative focuses on planning and developing educational activities, with the participation of Group employees acting also as teachers, at technical institutes based in the local community (currently in Forlì, Modena and Ravenna), and on developing a model for managing the school-work alternation paths. The aim of the initiative is to integrate corporate and school skills. It was launched following the signing of the memorandum of understanding on 25 September 2015 at the Regional Education Department for Emilia-Romagna and will set up 180 school-work alternation paths and summer internship experiences over the next three years.

HeraSolidale, workers' solidarity towards local non-profit organisations

The first edition of HeraSolidale was completed in December 2015. The initiative was carried out inside the Hera Group and promotes support by employees to local social realities. The project started two years ago and has a story based on participation and solidarity: Hera workers have the chance to initially indicate a list of beneficiary associations and then decide whether to support their projects. Over 650 Non-profit organisations and Associations were suggested by workers. Then, the company checked the associations' requirements and selected the 9 organisations that had received the highest number of votes from the employees, 1 for each local area. Starting from June 2014, 814 workers joined HeraSolidale, accepting to devolve Euro 1, 3, or 5 (or another amount) every month which was withheld directly from their payslip. This successful project has led to collecting Euro 43,302 from the start of the project to the end of December 2015, an amount that Hera has decided to double by donating further Euro 44,350.

The second edition of HeraSolidale was planned in 2015, which also includes the involvement of HeraLab Local multistakeholder boards for the selection of beneficiary associations.

Diversity and welfare

The Hera crèches: a work-life balance experience

In 2015, the experience of company and intercompany crèches continued positively in the five structures that had already used them in the previous years. 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, 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 inside a facility of the Local Health Authority in December 2012. In 2015, 30 children of Hera employees joined the crèches.

In order to offer a service closer to families' needs, new procedures are being considered for school year 2016/2017 which may involve a greater number of employees and children and which will be part of the corporate welfare plan.

Training and professional development

HerAcademy: the strengthening of Hera Group's corporate university

The contribution of HerAcademy initiatives to producing and sharing strategic know-how continued in 2015. Hera's corporate university was founded at the end of 2011 with the aim to enhance liaison and dialogue with institutional academic stakeholders and with national and international corporate universities. In order to strengthen and make the results achieved during the first three years consistent, three main development drivers were defined with top management:

- applicability, further developing the effectiveness of initiatives in terms of repercussions and internal applicability;
- identity/reputation, reinforcing the identity and reputation of the Group as leading player of reference from an educational perspective;
- relations with the academic world, consolidating the role of HerAcademy as sole contact point with the academic world.

Specifically, in 2015, the workshop Sustainability of the waste cycle and new lifestyles in a changing society, with the intervention of the Ministry of the Environment and for the Protection of Land and Sea, was organised in Bologna. The 4th edition of the university orientation initiative for the children of employees approaching university enrolment was carried out: the event was organised by the university of Bologna with the participation of academic guests and some Group directors. The 2nd edition of the orientation initiative that supports the children of employees approaching the world of work was developed.

The System for the development of potential

The process for the development of the Group's human resources was launched in 2015 to enhance corporate population on the basis of the evaluation of performance and managerial skills. The aim is to optimise development actions focusing on the management and growth of individuals. The scope of application includes the entire Group and involved around 5 thousand persons including white-collar workers, middle managers and managers. 524 evaluators were involved in 54 presentation and training meetings for a total of 1,572 hours of dedicated training. 96 meetings for calibration of the performed assessments were also carried out.

Furthermore, in line with 2014, a sub-group of the 92 participants of the first edition of the development of potential, further selected on the basis of potential and performance, was 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 then presented to the Management Review. In compliance with the results of the development process, specific training initiatives were set up, including the already mentioned elective programme: a training process organised together with the Bologna Business School aimed at providing an integrated view of corporate actions and at strengthening managerial skills.

Health and safety

Hera improves the safety of waste collection vehicles thanks to the Dst project

The Drive system tool (Dst) is fully operational: a measurement box records the driving styles of the drivers of side-loading waste compactors, allowing 10% fuel saving compared to 2013, when the device had not yet been installed on the vehicles. A reduction in the amount of repairs due to accidents and neglect was reported (-12% compared to 2013). The drop in fuel consumption also reduced environmental impact, given the lower amount of CO₂ released into the atmosphere.

Furthermore, this new system:

- allows safer driving: waste collection vehicles in fact are subject to continuous stop-and-go driving under heavy lifting conditions;
- reduces maintenance costs, due to minor stress on the vehicles.

Consolidation of the DST at Group level is currently being appraised.

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 associated with 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 2015, 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. Up to 25% of the performance bonus for managers, white-collar workers and blue-collar workers is related to shared objectives related to quality, environment and occupational safety.

The internal climate survey and other dialogue initiatives

The HeuRekA Project

The HeuRekA project was launched in July 2015 with the aim of stimulating creative contribution in the Group and discovering ideas about activities, services, processes and products with strong focus on innovation and excellence. The project is in an experimental phase: it will last until June 2016 and will end with the awarding (by the end of 2016) of the best proposals received in the four selection sessions. In the first session, carried out between July and September, 35 ideas were received: two are in the analysis/feasibility phase and nine are being examined in detail, whereas 24 have been considered not feasible or not relevant. The project proposals of the second session which were being appraised as at 31 December were 13. The final session will be carried out between April and June. The proposals may relate to any business sector or activity and may regard, for example:

- process or activity innovation, use of new technologies, systems or operating supports;
- simplification of tasks, organisation of repetitive activities, optimisation of processes, transfer and logistics, adoption of new technologies, etc.;
- improvement of data accessibility, reliability and timeliness;
- identification of new added value services.

A web portal has been designed for the project to allow employees to propose their ideas.

Shareholders and Financial Institutions

Hera undertakes to transfer the value created by operations to the investors by means of all the decisive factors:

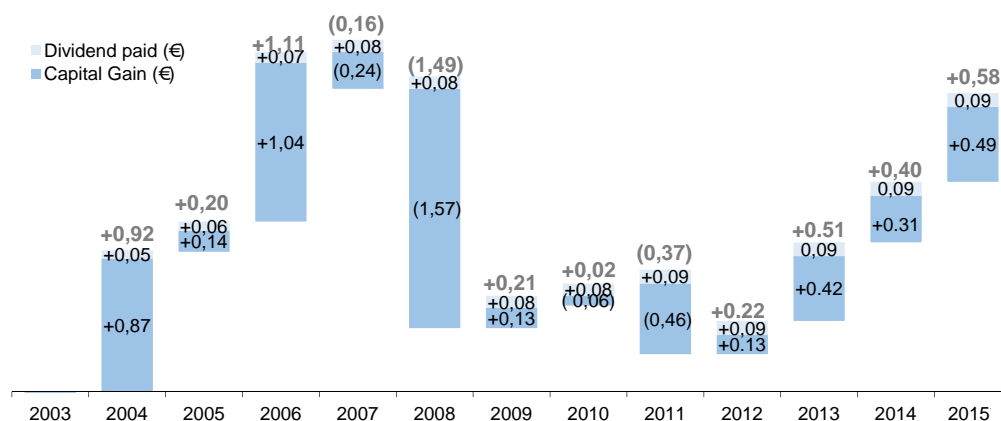
- *guarantee of return for the invested capital*
- *accessibility to significant information and complete transparency in communication*
- *low investment risk profile*
- *stability in the governance of the company and protection of the shareholders*
- *diversification of the shareholding structure*

Hera's commitment toward the investors

Create value in order to ensure the return on the invested capital

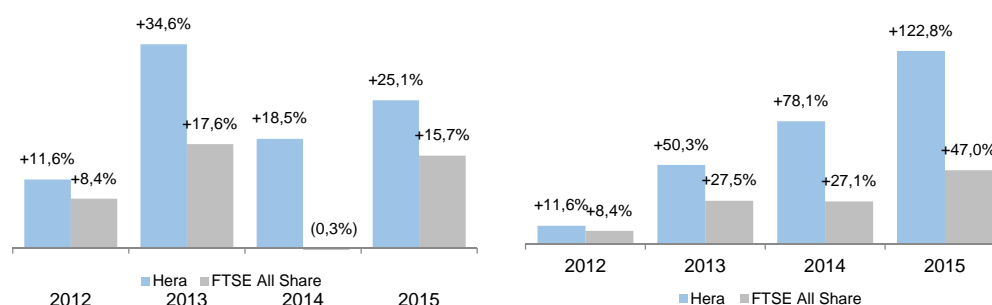
Hera undertakes to create value by placing the quality and efficiency of the services managed and the growth by lines, both internal and external, at the centre of its strategic approach; at the same time, it pursues a balanced development of the strategic business areas of its portfolio. The stability of these business governance policies over time, the handling of the risk and the sustainable approach have contributed towards producing economic-financial results constantly on the up, also in adverse market conditions. The overall return on the shareholder investment, thus, in 2015 came to +172% from the initial public offering (IPO): the total shareholder return has always remained positive, during a decade characterised by considerable volatility on the financial markets.

Total shareholder return from the IPO



For the fourth consecutive year, Hera stock disclosed a positive performance higher than that of the Italian market: in fact, in 2015 the listings rose +25.1% with respect to the +15.7% of the Ftse Italia All-Share index.

Performance of the Hera stock with respect to the market



The Hera stock between 2001 and 2015: commitment and constant growth in value for the shareholders (accumulated performance)

The price of the security disclosed considerable resilience during the whole of 2015: it grew constantly quarter by quarter, also in the second half of the year when the shares prices reported an increase in volatility. The positive performance marked its strength in particular on 22 June, coupon detachment date: the stock recovered the listed prices prior to the dividend in just one session.

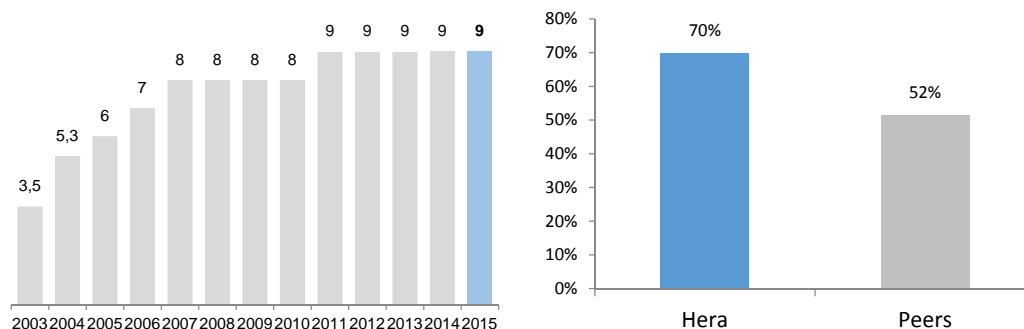
Official share price and average traded quantities in 2015

	QI	QII	QIII	QIV
Official price at close of period (Euro)	2.20	2.25	2.32	2.44
Average volume traded (thous.)	2,335	3,224	1,281	2,030
Average volume traded (in thousands of Euro)	5,028	7,534	2,916	4,877

As of the official listed price of Euro 2.44 reported at the end of 2015, Hera disclosed an implicit valuation premium with respect to the local utilities sector. The multiple of the business value in the gross operating margin (EV/Ebitda) was in fact equal to 7.1 compared with a 6.5 sector average, and also the multiple of the share value on the net profit (P/E), equal to 19.6, exceeded the 14.1 average. The greater valuation which the market acknowledged Hera with respect to the main listed local public utility companies reflects both the future growth prospects of the business results and the low risk in all the strategic business areas.

The dividend policy has been identified as the most important component of the remuneration of the invested capital. Hera has ensured a constant and rising flow of dividends since listing: it has distributed a total of Euro 1.1 billion since its formation in 2002. The shareholders who invested in the initial public offering were repaid by dividends for more than 76% of their investment.

Dividend distributed (Euro cents per share)



In the five-year business plan, presented at the beginning of 2016, Hera confirmed the dividend policy which guarantees a minimum coupon of 9 Euro cents per share until 2019. Hera's shareholders thus have greater visibility on the minimum future return of their investment with respect to the remuneration of other companies in the sector, which tie their dividends to the net profits (pay-out ratio).

The consensus of the financial analysts deems the Hera dividend policy to be sustainable: it is consistent with the cash generation prospects and capable of improving the equity solidity and financial stability further, already today among the best in the sector.

Complete transparency with the shareholders and the financial market on the creation of value

Communicate in real time and easily for all, to reflect the value created on the stock

Hera provides the market with significant economic-financial information promptly and transparently so as to facilitate correct assessment of the same and transfer the value generated by operations to the listed shares.

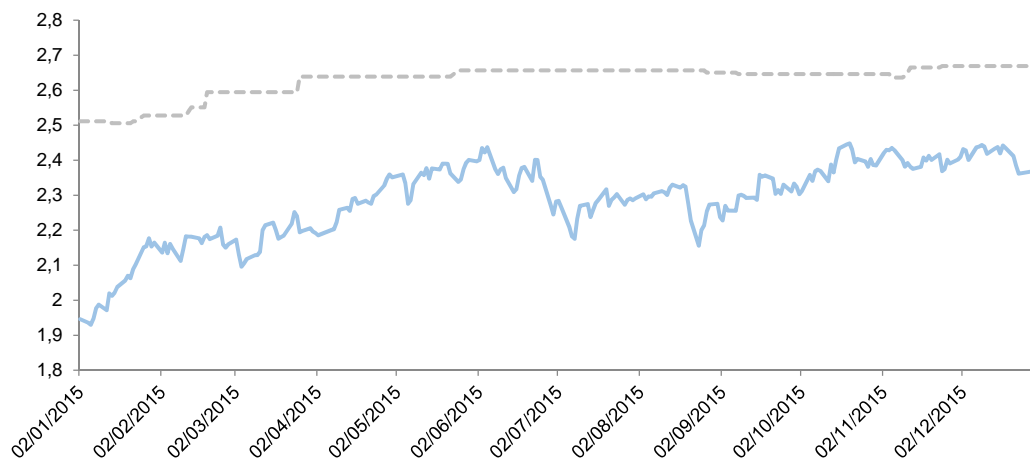
In order to ensure the shareholders symmetric and transparent disclosure, all the press releases which may influence the price of the stock are disclosed in real time. The communication takes place via various channels to all the categories of investors (institutional, SRI, private and retail, public institutions) and ensures accessibility to the main information both of an economic- financial and social and environmental nature.

Hera continues to further the expansion of the list of analysts who follow the stock (coverage), so as to ensure a plurality of professional and independent appraisals on the company's value. In 2015, the broker MainFirst launched its own coverage; the favourable opinion which it expressed joined those of the other six analysts. In the expectations of the analysts, the remaining brokers had a neutral opinion and sales recommendations were absent throughout the whole of 2015. The sound economic results presented by the Group led the analysts to express valuations on the up during the year: the average target price, therefore, passed from Euro 2.51 to Euro 2.67 at the end of the period.

Furthermore, Hera stock has been included within the following share selections in 2015:

- Goldman Sachs conviction buy list: selection of European securities to buy with conviction;
- Goldman Sachs focus research list: global selection of securities to buy due to the distinctive growth opportunities;
- Mediobanca Italian shares long portfolio: selection of Italian securities to buy due to the outperformance prospects with respect to the market;
- Banca Imi top picks: selection of Italian securities preferred by the broker.

Hera share performance and average consensus compared



Appraisal and target price of the analysts which follow Hera stock

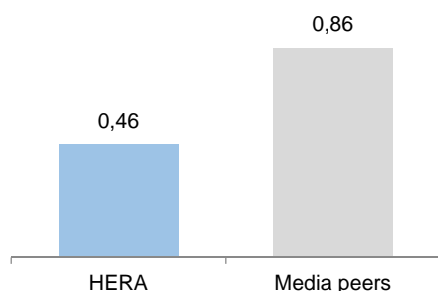
Company	2015	
Banca Akros	buy	2.60
Banca IMI	add	2.70
Equita Sim	hold	2.64
Fidentiis	hold	2.55
Goldman Sachs	buy	2.85
ICBPI	buy	2.80
Intermonte	neutral	2.55
Kepler Cheuvreux	buy	2.60
MainFirst	outperform	2.70
Mediobanca	outperform	2.70
Average TP		2.67

The commitment to reduce the investment risk

Win over the confidence of an increasingly greater number of investors with constant attention to all the risk components

Hera pays great attention also to the monitoring of 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 market trading.

Hera and peer 3-year Beta



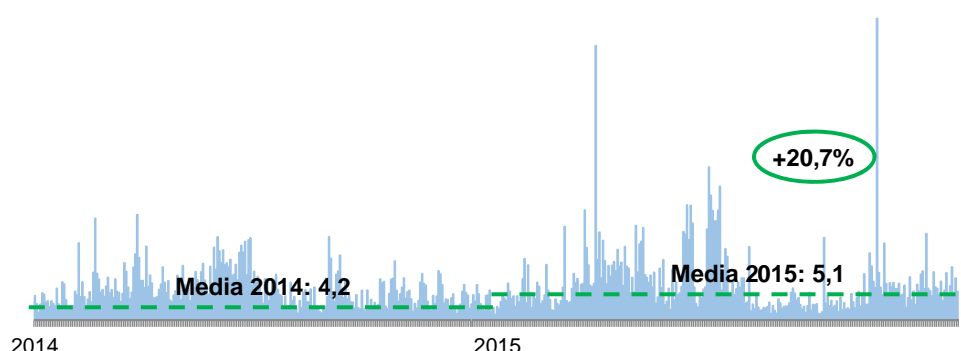
Source: Thomson Reuters. The peers considered in the analysis are Acea, A2A and Iren.

Once again in 2015, the stock disclosed a volatility index of the listed prices (Beta) more conservative than the average of the shares in the sector. This characteristic is consistent with the strong resilience of the economic results, the low risk profile and the solid and transparent governance of the company.

For the fourth year running and on a consistent basis with the price performance, also the average daily volumes increased: with respect to 2014, 2.2 million shares were traded, with growth of 4.9%. The average equivalent value of the daily trading, which also takes into account the appreciation of the listed prices of the stock, comes to Euro 5.1 million and disclosed growth of 20.7%.

The greater liquidity of the daily trading brought the values of the sales orders closer to those of the purchase orders, and the spread (0.33%) was lower with respect to the average of the other securities in the sector (0.35%). A more consistent comparison with the securities not included in the Fitse Mib index (such as for example Acea and Iren) highlights an even more favourable condition (0.33% with respect to 0.45%).

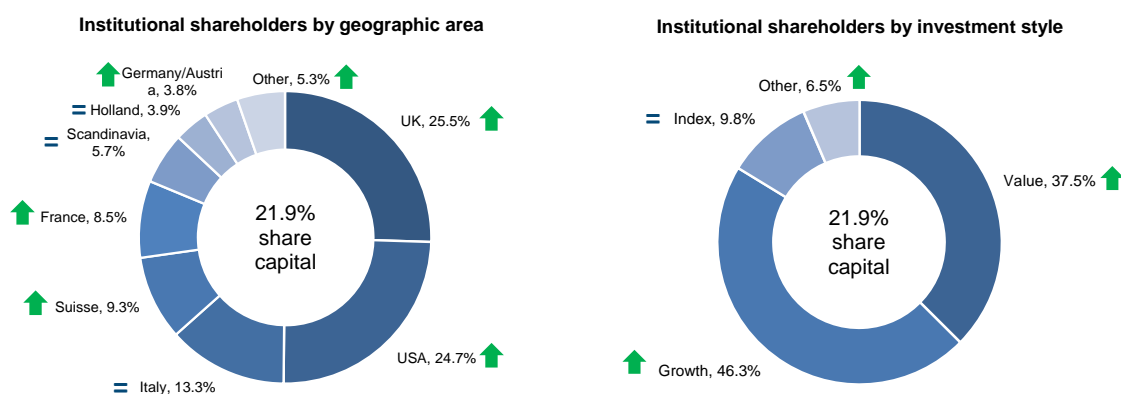
Value of the trading in 2015 and 2014 compared (in millions of Euro)



The improvement in the liquidity is also the result of intense dialogue with the financial market operators, with around 200 contacts and meetings in 2015, and the

launch of new relations with professional investors which have an investment style consistent with the profile of the Group.

The diversification of the institutional investors between the shareholders of the Group is also an important factor for facilitating an on-going evolution of the shareholding structure and a balance of the listed prices of the stock over time. As shown in the following diagrams, the year just ended saw an increase in the equity investments of professional investors in particular on international financial markets, with balanced growth also in the investment styles, with a predominance of the investors interested in the Group's growth prospects.



In the diagram on the right, the item Other contains: equity hedges, hedge funds, momentum specialty, yield.

Source: Thomson Reuters

Hera stock is listed in the ethical indexes: ECPI Ethical Index EMU, Kempen SNS Smaller Europe SRI Index and Axia Ethical. They include securities of excellent companies from the standpoint of the business sustainability in order to facilitate the investment choices of socially responsible funds (Sri). The organisation of these indexes considers 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.

Corporate Governance and safeguards for shareholders

In order to guarantee the investment in Hera, the governance of the company is adapted to the best international practices

Since its establishment, the Group has adopted a Corporate Governance system based on the traditional model, which envisages a Board of Directors made up of executive and independent directors, for ensuring in line with the company mission, the protection of the shareholders, the return on invested capital for shareholders and satisfying the stakeholder interests.

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 Spa.

Hera's management body has always been heedful of aspects of good governance and protection of the interests of the shareholder: any change to its structure which meets these objectives is promptly adopted without delay.

On 28 April 2015, the shareholders' meeting was thus subject to a further evolution with the amendment of the articles of association: the obligation for the public shareholders to hold a minimum of 51% of the share capital (Article 7) was eliminated and the increased or loyalty vote was established (Article 6). By means of this new instrument, disciplined by Italian Legislative Decree No. 91/2014, it is in fact possible to assign an increased/loyalty vote up to a maximum of two votes, to the shares held by the same shareholder for a period of at least 24 months. This amendment rewards the shareholders who demonstrate with the stability of their investment a greater sensitivity to the long-term growth of the Group and the active participation in the appointment of the shareholders' representatives. The increasing of the vote shall have efficacy for the appointment and/or removal of the Board of Directors and the Board of Statutory Auditors, for the changing of the limit to share possession, and for the amendment of the same article which established the increased or loyalty vote.

Again in 2015, 118 public shareholders entered into a new shareholders' agreement on 26 June, effective as from 1 July and valid for the subsequent three years. The agreement introduced a number of innovations also in light of the afore-mentioned article of association changes. Three time thresholds were in fact fixed which will progressively reduce the holding held by the shareholders complying with the agreement to 38.6%. This percentage is in any event a guarantee of control thanks to the new article of association provisions on the increased or loyalty vote which will be applied in the cases mentioned above and which will guarantee the public shareholders of having a majority greater than two thirds during shareholders meeting, legal limit for article of association amendments.

The public shareholders, once again with farsightedness, have laid down conditions which permit further growth of the Group by external lines, an expansion of the share capital to the shareholders of the companies acquired and an increase in the free float, fundamental for an improved liquidity of the listed prices.

As from 2017, an additional board director is envisaged (from three to four: amendment of Articles 16 and 17) elected by the list presented by the minority shareholders: this innovation proposes to attract greater participation of the private capital in the choice of the Group's strategies. Furthermore, for the greater participation of the minority shareholders, the percentage of share capital required to present a list for the election of the Board of Statutory Auditors has been reduced from 3% to 1% (Article 26), as already envisaged for the election of the Board of Directors.

The composition of the shareholding structure

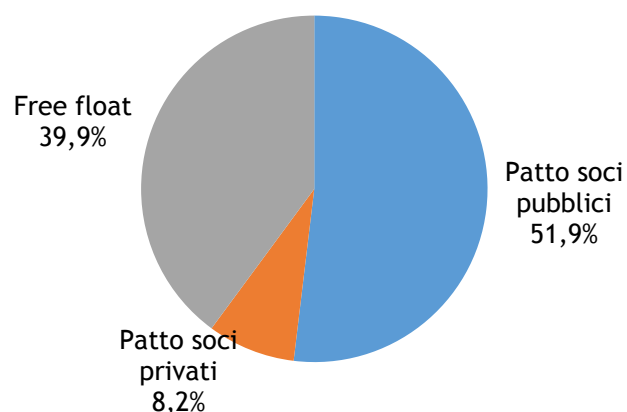
Widespread, international shareholding structure lacking shareholders with absolute controlling interests

Hera's history has a singular aspect: its establishment, in 2002, and almost 50% of the growth in the results in the last 13 years experienced a merger model which has involved more than 20 utility companies and has led the Group to be one of the main players in the process which consolidated the sector in Italy. The merger transactions

have been financed mainly by the issue of new shares and have almost doubled the overall number of shares representing the share capital: from 789 million in 2002, they became 1,490 million at the end of 2015. These transactions led to the dilution of the equity investments of the shareholders, and corresponding average growth in earnings per share of +8.6%. The creation of value took place thanks also to the extraction of synergies and the increased economies of scale. The Group's capitalisation at the end of 2015 reached nearly Euro 3.65 billion (compared with Euro 1 billion in 2003).

The expansion of the shareholding structure maintained a constant balance between the public and private component, and extended the diversification of the shareholders both in terms of number and geographic origin.

Composition of the shareholding structure as of 31 December 2015



Public shareholders	2015
Municipality of Bologna	9.7%
Con.Ami	6.9%
Municipality of Modena	6.5%
Ravenna Holding	5.5%
Municipality of Trieste	4.6%
Municipality of Padua	4.2%
Municipality of Udine	3.0%
Holding Ferrara e Servizi Srl	1.6%
Rimini Holding Spa	1.6%
Municipality of Cesena	1.6%
Other municipalities	6.7%
Total	51.9%

118 public shareholders entered into a shareholders' agreement which brings together 51.9% of the share capital.

The free float was divided up between 20,390 shareholders on the day of detachment of the coupon.

The new agreement, what is more, envisaged a commitment of the public shareholders to participate in the share capital in an organised and transparent manner: any anomalous trends in the listings of the stock in the event of sale of the securities into public hands can thus be reduced. The effectiveness of this provision was confirmed in the accelerated book building transaction which on 26 October 2015 finalised, with full success in terms of transparency and rapidity, the sale of 20 million Hera shares by 16 Municipal shareholders to around thirty Italian and international institutional shareholders. The transfer was equal to a holding of 1.3% in the share capital: the equity investment held overall by the Municipalities complying with the shareholders' agreement fell from 53.8% to 52.5% and, consequently, the Hera free float expanded. Demand exceeded the amount on offer twofold and thus, at a price of Euro 2.34, the placement took place with a discount which was one of the most contained on similar transactions in Italy in the last 4 years (-2.6% with respect to the closure of the stock on the previous day). The transfer did not have any impact on the listed prices of the Hera stock which in just one session recovered the previous sales prices.

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	2014	2015
Cash on hand	834.5	541.5
Other current loans	45.2	34.7
Current financial indebtedness	-550.8	-484.3
<i>Net current financial indebtedness</i>	<i>328.9</i>	<i>91.9</i>
Non-current loans	83.6	125.2
Non-current financial indebtedness	-3,052.9	-2,868.8
<i>Net financial position</i>	<i>-2,724.0</i>	<i>-2,776.9</i>
Total net financial indebtedness	-2,640.4	2,651.7

The overall value of the net financial position, amounting to Euro 2,651.7 million, is essentially in line with the previous year. The Group's financial structure as of 31 December 2015 presented current debt made up of uses of current account facilities for around Euro 129.2 million, portions of bank loans falling due for around Euro 89.6 million and the portion of Bond redemption for Euro 195.4 million falling due in February 2016, and was down with respect to 31 December 2014 as a consequence of the repayment of the loan of Euro 180 million from the European Investment Bank (EIB) in January 2015. 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, (77.5% of the total), with redemption on maturity.

Total debt has an average residual duration of more than 8 years, of which 68% comprises debts with maturity beyond five years. The net financial position rose from Euro 2,640.4 million in 2014 to Euro 2,651.7 million in 2015. This result is mainly due to the positive operational cash flow which fully funded both the payment of the dividends and the numerous M&A transactions mainly sustained at the end of 2015.

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 four 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	2006-2014 investments	Investments 2015	Unallocated funds
Increase in energy generation from non-fossil sources	55.4	9	53.9	1.5	0.0
Increase in energy efficiency	219.1	7	187.6	17.6	13.9
Increase in the use of waste-to-energy plants for the treatment of waste	173.2	4	173.2	-	-
Improvement of the water treatment plants	31.8	4	21.5	5.4	5.0
Increase in separate waste collection and reduction in the use of landfills	20.4	1	4.7	5.2	10.5
Total	500.0	25	440.9	29.7	29.4

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 2015 amounts to Euro 470.6 million, or 94% of total funding. The remaining portion shall be allocated in the next eight 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 increase in issues of green bonds continued in 2015, and on the basis of the last report of the Climate bonds initiative reached \$66 billion of issues, double with respect to 2014 and even triple that in 2013.

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 utility sector or otherwise. The bond was very successful, with applications for an equivalent value of around three times the amount of the bond.

The Environment and Future Generations

The area Hera works in is not merely a geographic entity. Above all, it is a primary source of social and environmental wealth, to be respected and protected for the future. Accordingly, Hera is committed to responsibly manage natural resources, improving its results and adopting increasingly efficient technologies with low environmental impact.

Objectives and results

What we said we would do	What we have done	Scope		
Start up 3 industrial cogeneration plants and modernise the Barca cogeneration plant in Bologna.	The 3 industrial cogeneration plants started operating in 2015. Work on the Barca plant in Bologna is on schedule, to start up the plant in October 2016. (see page 166 and 236)	H		
Start the biomethane production project at the Bologna composting plant.	The biomethane production project at the Bologna composting plant has been started and is due to be completed in 2018. (see page 236)	H		
Activate Hera Spa's energy improvement plan: reduce consumption by 3% by 2017 (compared to 2013).	Measures amounting to 2.3% of Hera Spa's consumption, compared to 2013 have already been identified. Savings already achieved have reached 0.7%. (see page 169)	H		
Extend ISO 50001 certification to AcegasApsAmga.	AcegasApsAmga has obtained ISO 50001 certification. 32 energy consumption reduction projects have been activated. (see page 168)	A		
Publish a new report on energy efficiency.	The "Valore all'energia" report was published in November 2015. (see page 244)	H		
Upgrade 2 urban areas (137,000 population equivalents), complete works at the Cesenatico treatment plant and start construction at the Cattolica plant.	Two urban areas (Bondeno and Ozzano) for a total of 28,087 inhabitants, have been upgraded. The upgrades of Cesenatico and Cattolica have been postponed to 2016. (see page 179)	H		
The upgrade and improvement works at the Servola treatment plant are still in progress.	The upgrade and improvement works of the treatment plant continued: in 2015 the reclamation work was completed and the supplier for executive planning and execution of the upgrade has been identified. (see page 240)		A	
Conclude the work on doubling the size of the Santa Giustina treatment plant, on the Dorsale Nord and on the first portion of the Dorsale Sud in 2015.	Construction of the second unit of the Santa Giustina treatment plant and of the Dorsale Nord was completed. The first portion of the Dorsale Sud will be concluded in 2016. (see page 240)	H		
Design the revamping of the fume treatment system at the Trieste waste-to-energy plant.	The feasibility study has been completed and viable design solutions have been identified. Assessment of priorities to be assigned to the measure is in progress. Its design will be defined during the preparation of the next strategic plan.		A	

What we said we would do	What we have done	Scope		
Further reduction in the use of landfills for municipal waste (9% in 2018).	In 2015, the municipal waste treated using landfills, including that which had been pre-treated, amounted to 8.6%, compared to 13.3% in 2014. (see page 194)	H	A	M
56.9% separate waste collection in 2015	In 2015, separate waste collection was 55.4% compared with the 2014 figure of 54.0%. (see page 198)	H	A	M
Continuation of the new separate waste collection project in Bologna.	The project continued in 2015. At the end of 2015, 65 underground drop-off points were operational and another 12 were being built. Separate waste collection in the city centre increased from 28.0% in 2014 to 42.1% in 2015 and that of the city rose from 40.5% to 44.8%. (see page 249)		H	
Extend the "Tracking Waste" report to Marche Multiservizi.	The report was extended to Marche Multiservizi and published in November 2015. (see page 248)			M
Launch HeraLAB in Modena and implement the 17 local initiatives proposed by the Labs and approved.	HeraLab was started in Modena. 17 initiatives were approved, 8 of which have already been concluded. (see page 226)	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.	The "Un pozzo di scienza" educational project was started in 2015, involving 7 schools and 725 students. Educational activities related to the "La grande macchina del mondo" began in early 2016. (see page 218)		A	
Support the 9 non-profit organisations identified by the workers under the HeraSolidale initiative.	In 2014-2015, approx. Euro 43,000 was given by employees to 9 non-profit organisations in the area served by the company. The company matched the donation with additional Euro 44,000. (see page 142)	H	A	
"Give a tree" campaign: plant 643 more trees to reach 2,000 trees in 44 cities.	As part of the Give a tree campaign, 1,717 trees were planted in 42 cities (of which 1,159 in 2015). By spring 2016, and additional 253 trees will be planted. (see page 101)	H		

What we will do	Scope*		
Continue the work to upgrade the Barca cogeneration plant in Bologna: Plant startup is planned for October 2016.	H		
Set up the construction site of a biodigestion plant to produce biomethane from organic waste, in Bologna.			
ISO 50001 energy improvement Plan: reduce energy consumption by 3% by 2017 (compared to 2013 consumption)	H	A	M
Complete the energy retrofitting of public lighting systems in 4 served municipalities for a total of 2,400 toe. Start the energy retrofitting of public lighting systems in Pesaro and continue them in Modena.	H		M

What we will do	Scope*		
Extend the "Valore all'energia" report to AcegasApsAmga and Marche Multiservizi	A	M	
Sewerage and wastewater treatment system:			
- Rimini Seawater Protection Plan: complete 3 more projects (3 already completed at the end of 2015);			
- Servola treatment plant in Trieste: conclude the work on the new biological treatment section in time for the start-up of the treatment plant planned for 2017;			
- continue design on the upgrade of the Borgheria plant in Pesaro and start the authorization process;			
- Upgrade two urban areas (Cesenatico and Cattolica, amounting to 267,000 population equivalents) in Emilia-Romagna;	H	A	M
- complete the upgrade/development of 3 more treatment plants in the areas served by Marche Multiservizi for a total of 18,200 population equivalents;			
- continue the upgrade work at 3 other treatment plants in the areas served by AcegasApsAmga (Ca 'Nordio, Abano Terme) for a total of 230,000 population equivalents.			
Increase separate waste collection: 57,2% in 2016.	H	A	M
Continue limitation of the use of landfills for the disposal of municipal waste (<9%).	H	A	M
Build two glass pre-treatment plants.	H		
Extend the waste prevention projects (Cambia il finale/CiboAmico/FarmacoAmico).	H	A	
Implement an integrated plan of action to prevent rubbish dumping and to improve the urban décor.	H	A	
Extend the "Il rifiutologo" app to Marche Multiservizi adding an environmental reporting function.			M
Design Smart City initiatives to offer to municipalities	H		
Continue the HeraLab meetings in the served areas and implement the initiatives proposed and approved by Hera.	H		

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

Energy production

The quota of electricity from renewable sources increases to 38%

The Group also continued to pursue its commitment to developing renewable and similar energy sources in 2015. Specifically, we highlight the increased production of the Imola cogeneration plant, offset by lower production of biogas from landfills.

The following table outlines the net electricity production of the Group's plants. The energy net of additional consumption may not match that fed into the grid since a part of it may be used in other production processes.

Net electricity generated

MWh	2013	2014	2015
Waste-to-energy plants (51% renewable)	404,303	400,142	401,565
Combustion of landfill biogas	39,734	40,684	33,075
Combustion of landfill biogas in third-party plants	44,469	33,185	22,281
Combustion of digester biogas	17,543	21,161	20,932
Combustion of treatment plant biogas	3,425	6,940	5,328
Biomass plant	71,260	69,727	72,433
Solar photovoltaic energy	11,359	11,529	12,179
Hydroelectricity	252	1,803	1,523
<i>Total renewable sources</i>	<i>592,345</i>	<i>585,171</i>	<i>569,316</i>
Cogeneration	357,042	248,579	364,583
Cogeneration operated as a service	137,820	142,265	152,449
Turboexpanders	10,558	10,090	9,315
<i>Total similar sources</i>	<i>505,420</i>	<i>400,935</i>	<i>526,347</i>
Waste-to-energy plants (49% non-renewable)	403,052	397,671	397,788
<i>Total traditional sources</i>	<i>403,052</i>	<i>397,671</i>	<i>397,788</i>
Total	1,500,817	1,383,776	1,493,451

The net electricity generated by the Group's plants increased by 7.2% due to: (i) a production increase at the Imola plant (+118,321 MWh), (ii) a production increase from cogeneration operated as a service (+10,183 MWh), (iii) a production increase from biomass power plants (+2,706 MWh). The increase was partially offset by a reduction of the amount of electricity produced by landfill biogas (-18,512 MWh).

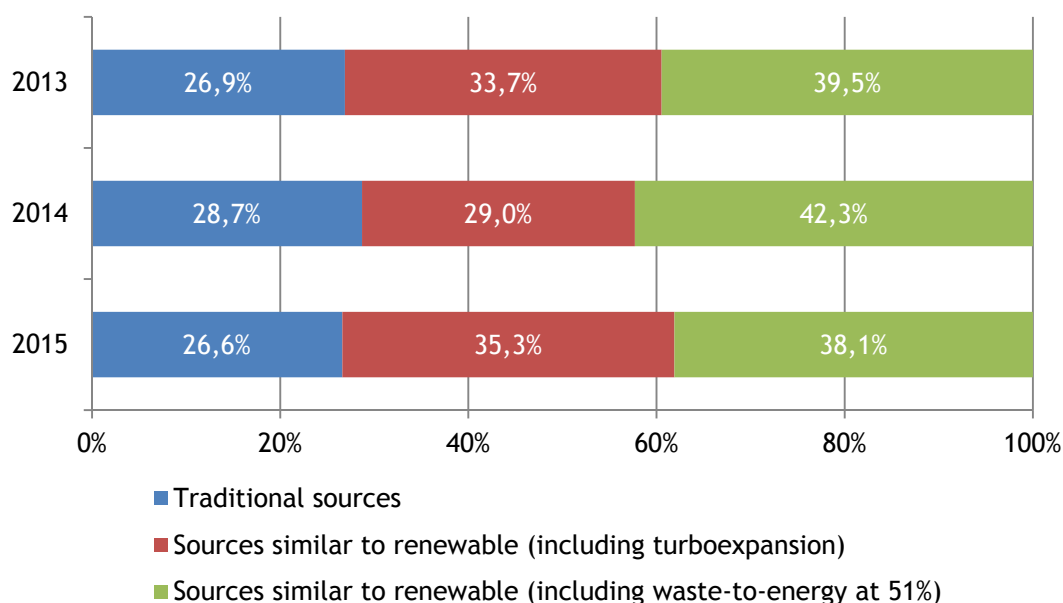
Electricity production from renewable sources was 569 GWh (-2.7% compared with 2014) with a reduction at the Imola and Cesena landfills and the Bologna treatment plant that was offset by the following increases:

- Faenza biomass plant (+2,706 MWh): due to the increase of volumes;
- production of electricity from solar photovoltaic facilities (+649 MWh) due to the performance of the Bologna, Ferrara, Modena and Ravenna plants.

The figures include the production of solar photovoltaic energy by Hera Renewable Energy (10,330 MWh produced in 2015), which was sold at the end of 2015.

The production of electricity from similar sources went from 400 to 526 GWh because of: (i) greater production at the Imola plant; (ii) greater production at the Acer Barca plant connected with district heating; (iii) start of operation of three new industrial cogeneration plants; this increase was partially offset by: (i) a decrease of the production of the Bologna Headquarter's cogeneration plant; (ii) a reduction of the production from the Safta cogeneration plant operated as a service.

Net electricity generated



The amount of electricity generated by renewable and similar sources came to 73.4% of the total in 2015, increasing compared with 2014 (71.3%) due to the above reasons; the remaining electricity generated has a high level of environmental sustainability since it is energy recovered using waste-to-energy transformation, for the share exceeding 51%.

In 2012, incentives to generate electricity through Green Certificates were awarded to plants fuelled by renewable sources, for which IAFR (plants fuelled by renewable energy) qualification is required, and to cogeneration plants which feed district heating networks. In both cases, the quantity of incentivised electricity is not exactly equal to the amount of electricity generated. In the first case, for plants brought on line after 2007, multiplication coefficients were introduced which take into account the plant's technology. For example, if landfill biogas is used, the recognition awarded is calculated by multiplying the energy generated by 0.8. For non-agricultural biomass with a short supply chain, instead, the energy is multiplied by 1.3.

For cogeneration plants, Italian Ministerial Decree of 4 August 2011 updates Legislative Decree 20/2007, redefining the cogeneration technologies, the calculation of cogeneration production and the performance level the cogeneration process needs to qualify as 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.

For waste-derived electricity, the energy recognised for earning incentives, and to which the above-mentioned multiplication coefficients apply, is limited to the biodegradable portion, as it is considered as biomass by European and Italian regulations. Pending the definition of more precise methods to calculate the biodegradable share (the Ministerial Decree of 6 July 2012 defines the criteria to assess the biodegradable part for new plants on a flat rate basis), current regulations indicate 51% as the part of waste to be considered for waste-to-energy plants using municipal waste downstream from separate waste collection. Therefore, 51% of both

electricity and thermal energy produced by waste-to-energy transformation was considered in the calculation of the share of energy produced using renewable sources, applying the flat rate criteria. This percentage was applied to all waste disposed of 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 origin in industrial processes, is considered 100% non-renewable.

The total installed electricity capacity of the Group's plants is 323 MW, while their thermal capacity is 722 MW.

The electricity produced in 2015 by companies in which the Group holds investments and which are operated by Hera was 440 GWh (share purchased by Hera). The companies in question are SET and Calenia Energia, in which Hera has an equity investment. SET and Calenia Energia operate two power stations in Teverola (Caserta) and Sparanise (Caserta); these two combined-cycle plants (CCGT) provide excellent performance levels and better environmental compatibility than traditional oil- and coal-fuelled power stations. In 2014, the carbon dioxide emissions from the two plants came to 401 g/kWh (Teverola) and 388 g/kWh (Sparanise); nitric oxide emissions came to 97 g/MWh for both.

Thermal energy produced

MWh	2013	2014	2015
Waste-to-energy plants (51% renewable)	72,656	58,881	61,054
Geothermics	71,415	78,527	73,253
Biomass plant	98,276	100,822	109,580
Combustion of treatment plant biogas	1,307	10,315	10,338
<i>Total renewable sources</i>	<i>243,654</i>	<i>248,545</i>	<i>254,225</i>
Cogeneration	179,929	143,782	172,201
Cogeneration operated as a service	131,145	142,463	138,508
<i>Total similar sources</i>	<i>311,074</i>	<i>286,245</i>	<i>310,709</i>
Thermoelectric power stations	218,741	199,804	246,513
Waste-to-energy plants (49% non-renewable)	69,807	56,572	58,660
<i>Total traditional sources</i>	<i>288,547</i>	<i>256,377</i>	<i>305,173</i>
Total	843,275	791,167	870,108

There was a 10.3% increase of the amount of thermal energy produced in the last year due to: (i) a significant increase of thermal power generation from cogeneration plants because of the weather (+23.4% compared to 2014, especially in Imola); (ii) a significant increase of the production of thermal power plants for district heating (+19.8% compared to 2014); (iii) an increase of thermal generation of the Faenza biomass power plant (+8.7% compared to 2014) due to the increase of volumes treated.

The increase was partially offset by: (i) a reduction in heat generation from geothermal energy (-6.7% compared to 2014); (ii) a reduction in the production of thermal energy from cogeneration operated as a service (-2.8% compared to 2014) despite two new plants starting operations.

The heat produced using renewable sources increased by 2.2% due to the abòc

Hera and renewable sources

In 2015, the Hera Group generated electricity using the solar photovoltaic plants of Hera Energie Rinnovabili, founded in 2008 to focus specifically on so-called pure renewable sources. That company, whose controlling stake was sold by the Group at the end of 2015, owns eight solar photovoltaic plants in the provinces of Bologna, Ferrara, Ravenna, Brescia and Macerata, for a total capacity of 7.2 MW.

The solar photovoltaic systems installed in the offices of Bologna, Ferrara, Imola, Faenza, Cesena and Ravenna add a total of 150 kW and those installed at the Herambiente plants of Mordano (BO), Voltana (RA), Coriano (RN), Pozzilli (IS), and Rimini add a further 1.7 MW.

In the solar sector, Hera also has a 33% stake in Ghirlandina Solare, owner of a 1 MW solar photovoltaic plant in Marzaglia (Modena), on land belonging to the Modena municipality.

Herambiente owns the biodigesters at Cà Baldacci (Rimini) and Voltana di Lugo (Ravenna) and Cesena, each with a capacity of 1 MW. In addition, biogas-fuelled plants are still active at 9 landfills, as is the biomass plant operated by Enomondo, in Faenza.

Herambiente also produces heat and power by incinerating waste (considered a 51% biodegradable source). Its ten waste-to-energy plants generate a total installed electrical capacity of over 120 MW.

Hera Spa also manages the geothermal resources used in Ferrara's district heating network, as well as four turboexpanders, located in Bologna, Forlì, Ravenna and Ferrara, which generate electricity by exploiting the gas pressure differentials in the distribution network. Hera Spa is also active in hydroelectric power generation, using its Cavaticcio system, in Bologna, with a capacity of just under 2 MW. Also connected to the integrated water system are the plants for recovering energy from treatment sludge (biogas) in Bologna, Cesena, Forlì and Savignano sul Rubicone (Forlì-Cesena).

Our 85 MW electrical cogeneration at plant Imola stands out among the plants that generate low environmental impact energy (with nominal performance coefficients over 80%), as do various other smaller cogeneration and tri-generation electricity plants, for an additional total installed capacity of 28 MW.

AcegasApsAmga operates three photovoltaic solar facilities with a total output exceeding 100 kW, two turboexpanders that generate 3.8 MW, a cogenerator with a nominal electricity output of 500 kW and three biogas cogenerators installed at our three main treatment plants, that generate about 640 kW.

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 25% for new waste-to-energy plants, and between 56% and 83% for the cogeneration plants.

Hera Group's commitment to generate energy from renewable and environmentally friendly sources (similar-to-municipal waste and recovered) is shown in the following map. The share of total energy generated by these sources is 70%, in line with the 2014 quota.

The amount of energy from renewable sources generated by the Group's plants could power 237,000 households.

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 made 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 adjust the temperature of their home.

District heating provides a solution to air pollution problems in cities by replacing home boilers, which are sometimes fuelled by gas-oil or fuel oil, with high-efficiency heat production methods that use renewable energy, or energy recovered from other production processes.

By continuing to replace fossil fuels with renewable energy or recovered energy, significant energy-environmental improvements have been achieved in the Group's district heating plants.

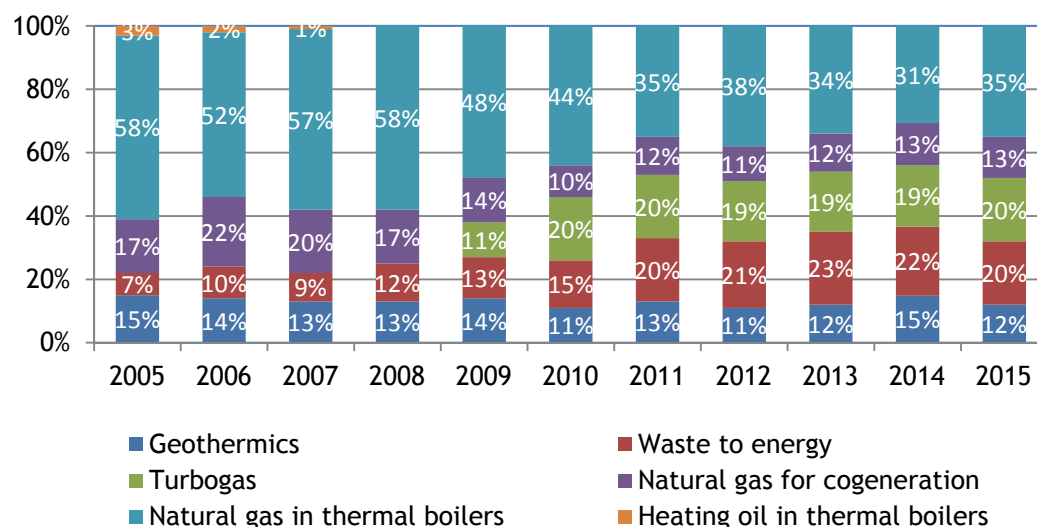
Environmental advantages of district heating

	2013	2014	2015
Primary energy saved (toe)	34,460	24,901	33,084
Nitric oxide avoided (t)	313.6	210.4	309.5
Carbon dioxide avoided (t)	158,358	112,409	156,407
Sulphur oxide avoided (t)	291.4	211.6	208.9

Calculated as the difference between a traditional system (existing boiler park comprising 65% natural gas-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 quantities of energy (thermal and electric) produced by Hera. Excluding AcegasApsAmga.

In 2015 the plants operated by Hera recorded primary energy savings of 33,084 tonnes of oil equivalent, an increase of 33% compared to the savings of 2013, due to the greater amount of thermal energy sold (+17.2% compared with 2014).

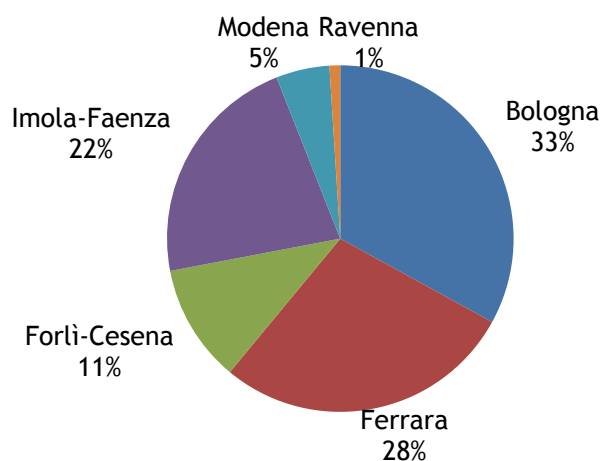
Sources used for district heating (2005-2015)



Excluding AcegasApsAmga.

As for the sources used for district heating, the percentage of thermal energy produced with gas boilers has gone down from 57% in 2007 to 35% in 2015. Geothermal energy has been the main amount of thermal energy sold compared with 2014 as a result of the climate. The volume served increased by 1% compared to 2014. In 2016, the company will continue to strive for improvements, prioritising the development of district heating with increasing quantities of renewable and similar sources.

Housing unit equivalents served per area (2015)



Excluding AcegasApsAmga.

Below is an outline of the environmental performance of the district heating projects financed or refinanced through the Green Bond issued in July 2014.

The performance 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	192,407	6,798	49%
Ferrara Area	172,230	12,444	75%
Forlì Area	68,628	1,401	41%
Imola-Faenza Area	126,757	11,212	95%
Modena Area	34,309	1,228	44%

Cogeneration for district heating

The term cogeneration identifies 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 is done in specially-designed thermoelectric power plants, which recover heat from the flue gas produced by an engine powered by any fuel: thus obtaining a significant energy savings (about 40%) compared to separate electricity and thermal energy production. Thanks to their connection with district heating networks, Hera Group's cogeneration plants help improve the air quality of the towns where they are located: thanks to them many boilers have been replaced with modern, efficient systems to heat and supply hot water to buildings. With district heating, systems are monitored continuously, both in terms of combustion processes and atmospheric emissions.

Hera Spa operates 14 cogeneration plants for an overall nominal electric capacity of 113 MW which in 2015 produced 169,615 MWh of thermal energy for district heating in all areas.

Industrial cogeneration

Through its subsidiaries Hera Servizi Energia e Amga Calore Impianti, Hera actively operates in the energy efficiency sector, to provide a broad range of services. The company mainly targets apartment buildings, large industrial customers and public administration. In particular, in the industrial cogeneration sector, Hera offers 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 services such as museums, shopping centres, spas and condominiums.

With cogeneration and tri-generation (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.

Hera Servizi Energia e Amga Calore Impianti offer a full range of all energy carriers, making it inexpensive and easy for the customers to manage. Hera Servizi Energia and Amga Calore Impianti identify, in terms of the customer's energy requirements, the characteristics of the technology plant, manage the preparation of all authorisation documents, operate and manage the plant.

In 2015 three new industrial cogeneration plants became operational providing 4 MW of generation capacity, achieving the target set in the 2014 Sustainability Report. At

the end of 2015, 26 plants are active (25 operated by Hera Servizi Energia and one by Hera Comm).

The environmental benefits achieved in 2015 by the plants operated by Hera Servizi Energia include approx. 22,796 tonnes less CO₂ emissions and primary energy savings of approx. 9,752 toe.

Energy efficiency

Group companies with ISO 50001 certification rise to six

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 at the natural gas distribution stations in the local managed networks, and the recovery of low enthalpy geothermic heat at the Ferrara district heating plant. 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	2014	2015
Natural gas for production	132,530	184,466
Waste-to-energy treatment	331,407	337,571
<i>Total energy consumed in electricity or thermal energy production plants</i>	<i>463,937</i>	<i>521,894</i>
Electricity excluding public lighting	105,227	89,325
Electricity for public lighting	23,469	26,221
Natural gas for heating of premises	2,322	2,836
Fuel for vehicles	10,184	9,875
<i>Total energy consumed for uses other than the production of electricity or thermal energy</i>	<i>141,202</i>	<i>128,256</i>
Total	605,139	650,345

The data refer to energy consumption by Hera Spa., Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga

In 2015 there was a 7.5% increase of primary energy consumption due to an increase of natural gas for process use (+39% compared to 2014) and of electricity for public lighting (+11.7% compared to 2014) due to the increase of the number of light points served. These increase were offset by a 15% decrease in electricity consumption excluding public lighting.

The Group's energy performance can be represented by a number of indicators that express the development and prospective targets and give a picture of the company's savings strategies. A comparison of energy consumption with certain production and operating indicators can provide consumption intensity indices that reflect the improvements achieved by efficiency measures and by corporate energy management.

Intensity of primary energy consumption

	2013	2014	2015
Wastewater treatment: primary energy (toe)/volumes treated (thousands of m ³)	0.162	0.155	0.110
Potable water treatment: primary energy (toe)/water fed into the water network (thousands of m ³)	0.09	0.08	0.08
District heating: primary energy (toe)/thermal energy fed into the network (MWh)	0.216	0.212	0.187
Waste-to-energy plants: primary energy (toe)/volumes treated (t)	0.027	0.026	0.010
Management at offices: primary energy (toe)/office area (m ²)	0.015	0.014	0.024
Heating at offices: primary energy (toe)/volume heated (days*m ³ /1,000,000)	1.70	1.58	1.65
Vehicles: primary energy (toe)/distance covered by the vehicles (thousands of km)	0.18	0.16	0.15
Public lighting: primary energy (toe)/light points	0.093	0.083	0.078

The data refer to energy consumption by Hera Spa, Uniflotte, Herambiente, FEA and Hera Luce.

The energy efficiency ratios show a general improvement over last year also due to the measures implemented in the many areas in which the Group operates. Of particular note is the improvement in water services (particularly in potable water treatment plants, -5.8%), in use of fuel as a result of the renewal of the vehicle fleet (-5.6%), and in public lighting due to the replacement of lighting fixtures (-5.9%). The performance concerning offices is in decrease but in line with the 2013 figures.

Energy saving initiatives

The Group focused even more on energy efficiency in 2015, as AcegasApsAmga and Marche Multiservizi also achieved ISO 50001 certification for their energy management systems, a goal that had already been achieved in previous years by other companies of the Group, including Hera Spa, Hera Luce and by Herambiente, in some of its plants.

The energy improvement plans of Hera Spa, AcegasApsAmga and Marche Multiservizi drawn up as part of their energy management systems, include 99 measures to implement in the three-year span of the management system. These measures will contribute to the goal of reducing energy consumption by 3.0% (compared to 2013 consumption) by 2017.

The objective is calculated as the average of the objectives that Hera Spa, AcegasApsAmga and Marche Multiservizi have defined as part of their certification schemes. In particular, the objectives of Hera Spa and Marche Multiservizi are calculated using their 2013 consumption as baseline while AcegasApsAmga considers the average of 2013-14 consumption and has set a reduction target of 3.5%.

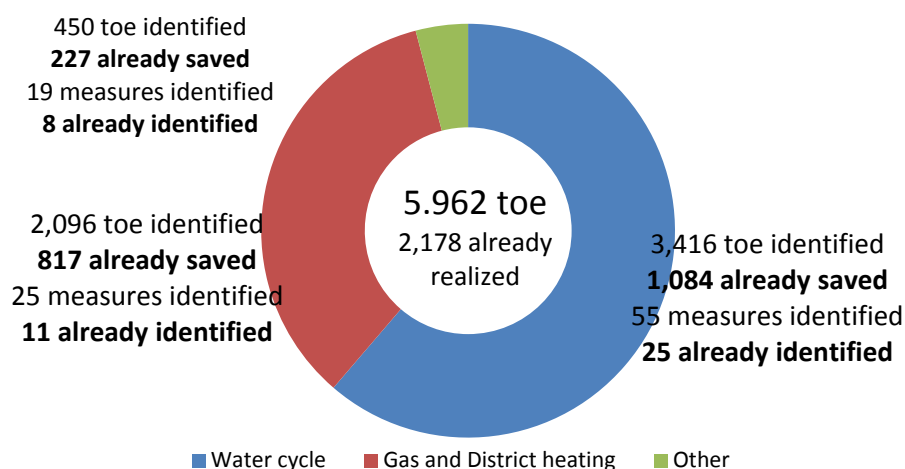
The 2014-2017 energy improvement plans (Hera, AcegasApsAmga and Marche Multiservizi)

Type of measure	No. of measures	Annual savings (Tep)	No. measures implemented at 31 December 2015	Savings achieved as at 31 December 2015 (toe)	Area	Company
Measures on wastewater treatment plants and potable water treatment plants	55	3,416	25	1,084	Bologna, Forlì-Cesena, Imola, Modena, Rimini, Pesaro, Padova, Trieste	H - A- M
Revamping of district heating plants	16	1,758	6	554	Bologna, Modena	H
Measures of energy networks and regulation and measuring stations	9	339	5	263	Bologna, Ferrara, Udine, Pesaro	H - A- M
Drive System Tool project to reduce fuel consumption Rationalization of vehicle routing	4	314	2	253	-	H - M
Other minor measures	15	136	6	24	Bologna, Forlì-Cesena, Pesaro	H - M
Total	99	5,962	44	2,178		
	<i>Equal to 85% of the reduction target of 3% of consumption by 2017</i>		<i>Equal to 30% of the reduction target of 3% of consumption by 2017</i>			

The data refer to Hera Spa, AcegasApsAmga and Marche Multiservizi.

The 99 measures already identified and that as at 31 December 2015 are included in the improvement plans of Hera Spa, AcegasApsAmga and Marche Multiservizi will reduce energy consumption by almost 6,000 toe, 85% of the target set for 2017. The 44 measures already implemented by the end of 2015 have already saved about 2,200 toe, 30% of the target set for 2017.

2014-2017 Energy Improvement Plans (Hera, AcegasApsAmga and Marche Multiservizi): energy efficiency measures implemented and planned and corresponding savings



The data refer to Hera Spa, AcegasApsAmga and Marche Multiservizi.

The measures identified in the action plan are mainly focused on the water cycle where 58% of energy saving is expected.

The Group's commitment to enhancing efficiency of activities and of consumption also extends to several training initiatives which have been planned. Training, in fact, continues to play a crucial role in promoting energy efficiency and has been implemented both through targeted meetings, and through training events for colleagues involved in the energy management system project, at all levels.

White certificate objectives

toe	2013	2014	2015
Gas distribution	227,540	312,481	372,795
Electricity distribution	39,323	47,251	54,774
Total	266,863	359,732	427,569

The 28 December 2012 Ministerial Decree extended the national requirements set by the White Certificate mechanism until 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 managing 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 Spa, AcegasApsAmga and Marche Multiservizi are obliged parties as both gas distributors and distributors of electricity. The national data showed a significant reduction in the number of obligations incumbent on electricity distributors and a smaller reduction for gas distributors.

Hera is continuing to promote energy efficiency measures both for its own plants, and for those of companies outside the company. The excellence of the activity carried out by Hera in this area is proven by obtaining the Strategic Energy Efficiency Award by the Cesef research organization, in an event in which the President of GSE awarded Hera "for having developed and implemented over the years a clear and proactive energy efficiency policy, achieving significant results."

To contribute to the aforementioned obligations, the activities to procure White Certificates through energy efficiency initiatives at Group or partner company plants continued throughout 2015.

In 2015, Hera Spa presented the Energy Services Manager with 16 energy efficiency metered baseline projects, as well as 7 activities subject to analytical or standard savings assessment. We expect that these projects will be able to produce over 29 thousand White Certificates during the active life of the operation (5 years), the equivalent of the same number of toe in additional savings.

The measures for increasing energy efficiency using White Certificates and involving the Group's plants include efficiency improvements for treatment plants, and the optimization of pumping systems and the implementation of innovative public lighting solutions. The projects developed in collaboration with third-parties in the industrial sector are particularly interesting, particularly the efficiency improvements for food processing plants and for plastic and ceramic manufacturing plants.

Public lighting system

The Hera Group manages 435,662 light points, guaranteeing the proper operation of the public lighting service in 152 municipalities in 8 Regions: Emilia-Romagna, Umbria, Lombardia, Marche, Lazio, Piemonte, Veneto and Friuli Venezia Giulia. It also manages traffic light installations in some areas for a total of 9,554 traffic lights. The increase of light points served (+66,396) is due in large part to incorporating the public lighting business segments of Sinergie and Insigna (who provided the service in 40 municipalities) within AcegasApsAmga, which was done in 2015.

Served light points and traffic lights

no.	2013	2014	2015
No. of municipalities served	59	91	152
Light points	307,351	369,259	435,662
<i>of which energy saving (%)</i>	<i>85%</i>	<i>83%</i>	<i>84%</i>
<i>of which with management systems for optimising consumption (reduction of brightness, partial switching off etc.) (%)</i>	<i>48%</i>	<i>48%</i>	<i>54%</i>
Traffic lights	7,813	8,426	9,554
<i>of which LED (%)</i>	<i>68%</i>	<i>73%</i>	<i>77%</i>

Energy saving light bulbs (i.e. not mercury-vapour lamps which, according to the energy qualification system developed by Hera Luce on the basis of the Minimum Environmental Criteria, belong to class G) are used at 84% of the light points served, while LED lamps are used at 5%. Consumption optimization systems (reduction of brightness, partial shutdown, etc.) are used at 60% of the light points operated by Hera Luce. At Group level, consumption optimization systems control 54% of light points.

In 2015 the public lighting refurbishment works in municipalities served by Hera Luce involving the replacement of incandescent lamps with LED lamps determined a saving of about 1,900 toe in on a yearly basis. In 2014 the Citylight system started operation. The system logs fault reports: 40% of the light points served are currently

visible on line. In the same year in the municipalities served by AcegasApsAmga the savings obtained following the introduction of LED lamps came to over 260 toe.

Main energy saving measures implemented by Hera Luce in 2015

Municipality	Year of completion	Environmental benefits (energy savings in MWh)
Rho (MI)	2017	2,083
Corbetta (MI)	2016	1,001
Ferentino (FR)	2016	909
Bagnatica (BG)	2015	318
Gambettola (FC)	2016	293
Palazzago (BG)	2016	233
Fumone (FR)	2015	163
Fanna (PN)	2015	155
Artegna (UD)	2015	145
Gemmano (RN)	2015	95
Viganò (LC)	2015	92
Total		5,487 (equal to 5% of Hera's total light consumption)

Public lighting replacement activities are continuing in Modena (2015-2023), that aim to achieve a cost savings without reducing the time public lighting is provided, to improve environmental performance and reduce emissions. Replacement of the lighting of a number of areas of historic relevance, involving about 1,400 light points, is in progress. In 2015, 138 light points have been replaced, with savings of 14,300 kWh, equivalent to about 3 toe. In Rho (MI) an important work of public lightning development started in October (6,742 Points of light involved for estimated savings of 2,083 MWh/year) that led to an investment of over 4 million euro. The expected end is in 2017.

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 also participated in the technical round table meetings of the Ministry for the Environment and the Protection of the Territory and the Sea which led to update the Minimum Environmental Criteria (Criteri Ambientali Minimi) for public lighting, and also attended the technical meetings of the Emilia Romagna Regional Authority that led to update the Regional Law against light pollution (Regional Authority Decision 1688/2013).

Hera Luce continues the development activities related to various partnerships launched in previous years connected with:

- update of the public lighting MEC and definition of the new Lighting Services MEC (member of the working group created by the Ministry for the Environment);
- development of a lighting device performance monitoring system in line with the MEC criteria, again together with the Ministry for the Environment and the Protection of the Sea;
- the development of models designed to provide local authorities with tools to analyse and assess activities aimed at increasing energy efficiency, on the activities to undertake for an energy refurbishment

programme, and attain an initial estimate of the costs of the actions and the benefits that can be obtained;

- analysis of new lighting technologies assessing costs/benefits and future development possibilities in association with universities;
- 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 water supply networks serving 3.6 million citizens

Hera'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 fed into the network (breakdown by source)

Thousands of m ³	2013		2014		2015	
Groundwater	219,979	51.6%	215,589	52.1%	227,782	53.7%
Surface water	175,059	41.1%	169,150	40.9%	168,258	39.6%
Springs and minor sources	31,134	7.3%	28,871	7.0%	28,390	6.7%
Total	426,172	100.0%	413,610	100.0%	424,430	100%

Figures include both the civil and industrial water supply networks (the latter being part of the areas of Forlì-Cesena, Imola-Faenza, Modena and Ravenna and accounting for around 3% of the total).

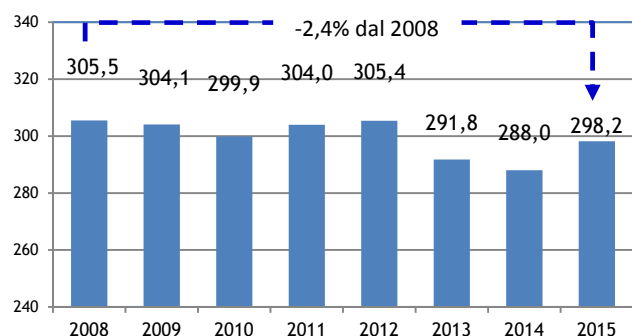
The data show that the total volume of water fed into the network increased slightly, by about 3% compared to 2014. The increase is mainly due to a particularly dry summer, although the increase continued in the winter which leads us to predict a general trend back to normal consumption levels.

In terms of the use of the various sources, there was a slight increase of the use of groundwater (+1.5% compared with 2014).

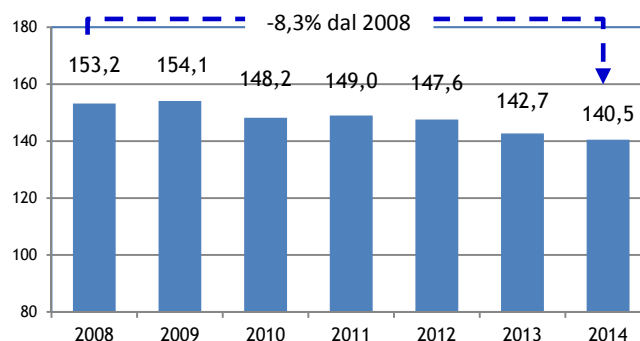
Considering just the civil water network, in 2015, 298 million m³ of water was fed into the civil water networks operated by Hera Spa, up 3.5% over 2014. The increase is almost similar in all areas except for Forlì-Cesena (+5.8%) and Ferrara (+4.5%). This trend, however, is not the same for water sold for household use which, in the Emilia-Romagna areas, continues to decline: -1.5% compared to 2013. In 2014 the decrease was 10.3%, with a constant trend over the years.

Considering a longer timescale, the amount of water fed into the civil water network decreased by 2.4% in the 2008-2015 period. In the same period the water sold for domestic purposes increased by much more: 8.3%.

Water fed into the civil water network (millions of m³)



Water sold for household use (millions of m³)



Excluding AcegasApsAmga and Marche Multiservizi

Gruppo Hera's distribution network extends for 35,150 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

%	2013*	2014	2015
Synthetic material	54.5%	51.7%	52.0%
Asbestos-cement	20.8%	20.9%	20.7%
Steel	16.8%	17.2%	17.1%
Cast iron	6.8%	8.2%	8.2%
Other materials	1.0%	2.0%	2.0%
Total	100.0%	100.0%	100.0%

*Excluding AcegasApsAmga.

The composition of the water network shows a slightly decreasing trend of asbestos cement, rising from 20.9% in 2014 to 20.7% in 2015 at the Group level. The use of materials other than asbestos cement continues in new networks or those subject to unscheduled maintenance. In the 2014-15 two-year period, Hera replaced 63 km of asbestos cement pipe network in Emilia Romagna, in the Triveneto area and in Marche.

What is meant by water not billed

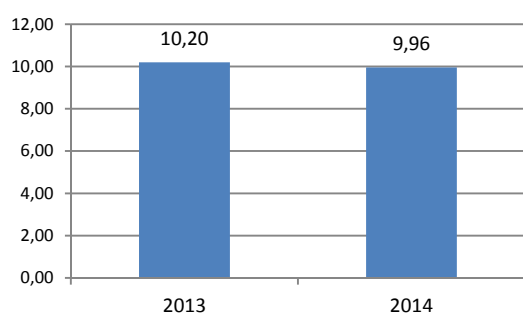
The percentage of water not billed compared to water fed into the network is related to physical or real losses (due to breakage of pipes or conduits, etc.) or to administrative or apparent losses (meter errors, errors in estimating presumed consumption as at 31 December, unrecorded internal consumption, illicit consumption). The latter losses result in water which is effectively delivered to the final customer but is not recorded and therefore is not billed.

Until 2006, network losses were calculated as the difference between the water fed into the water network during the year and the water accounted for as supplied to customers during the same period: the amount was estimated at 31 December of every year on the basis of the historical consumption of customers since it is not possible to take a single reading at 31 December of all the meters. This estimate was then supplemented so as to take into account the correct period of recording in accounts of the water sold to customers as at 31 December of the previous year, calculated after reading all the meters. Since 2007, network losses have been calculated by integrating the adjustments coming from meter reading in the pertinent year, thereby ensuring perfect comparability between water sold and the related amounts fed 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 2015.

At Group level, network losses for 2014 came to 31.3%, slightly higher than in 2013. The Group is at a level considerably lower than national average in the same year: 37.4% (source: ISTAT 2013).

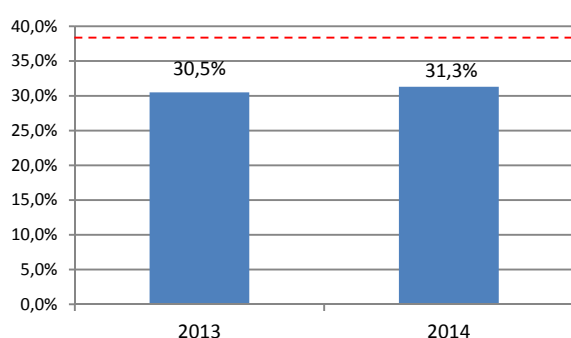
In 2014, the water fed into the network was over 10 million m³ less than in 2013 (-2.6%). At the same network operating conditions (pressures) a reduction of the water fed into the network always determines a proportional increase of overall losses. This is because the actual losses depend exclusively on the structural integrity conditions of the network and the operating pressures (conditions that do not change significantly from year to year), while they do not depend on the volumes flowing through the network. The corresponding linear loss index went from 10.02 to 9.96, slightly down compared to 2013 due to the improvements achieved in the Triveneto area where it is continuing its efforts in detecting pipeline leaks by dividing the network into districts. The results of this technology are evident in the Trieste area, where losses were cut by 11%.

Water not billed per kilometre of network operated (m³/km/day)
(physical and administrative losses from the civil water network)



	2013	2014
Hera	8.12	8.32
Marche Multiservizi	6.27	6.64
AcegasApsAmga	28.82	27.25

Water not billed (physical and administrative losses from the civil water network)



Italian average:
37,4%

	2013	2014
Hera	27.4%	28.6%
Marche Multiservizi	31.2%	32.7%
AcegasApsAmga	39.8%	39.6%

Including Marche Multiservizi since 2010 The figure for 2015 is not reported since it is provisional.

The figure of water not billed per kilometre of network is also reported, since it better represents the effectiveness and efficiency of the distribution system more accurately, and is easier to use in comparisons with other companies.

Water consumption

In 2015, 3.2 million m³ of water was consumed at the Group's plants and sites (excluding Marche Multiservizi).

The biggest consumers were the waste disposal plants (2.9 million m³, of which 2.8 million in waste-to-energy plants) and the cogeneration plants with 348,000 m³, of which 259,000 at the Imola plant). Around 100,000 m³ were used in the offices.

In EMAS-certified plants, forecast water consumption came to 1.6 million m³. In some plants, this water is reused within the production cycle. In 2014, reused water accounted for 25% of total water consumed. Dry flue gas scrubbers were installed in our new waste-to-energy plants, since they reduce water consumption compared to wet scrubbers. In the new plants, water is mainly used to dilute the ammonia solution used in the nitric oxide abatement plants, the boiler drains, cooling samplers and extinguishing burning waste. Wastewater is treated in chemical-physical plants located, almost always, near the plant itself. In the Imola cogeneration plant, the evaporative cooling tower used 217,000 m³, as compared with the 120,000 m³ used in 2014, due to the increase of production.

Wastewater treatment quality

The sewerage and wastewater treatment services cover respectively 93% and 91% of the needs of the area served

In 2015, Hera Group operated the sewage and wastewater treatment service in 239 municipalities, 54 of which as Marche Multiservizi and 18 of which as AcegasApsAmga.

The sewage system for all areas covered 93% of requirements in the areas served at Group level (population equivalents). This value rises to 99% if we only consider areas with over 2 thousand population equivalents in Emilia-Romagna.

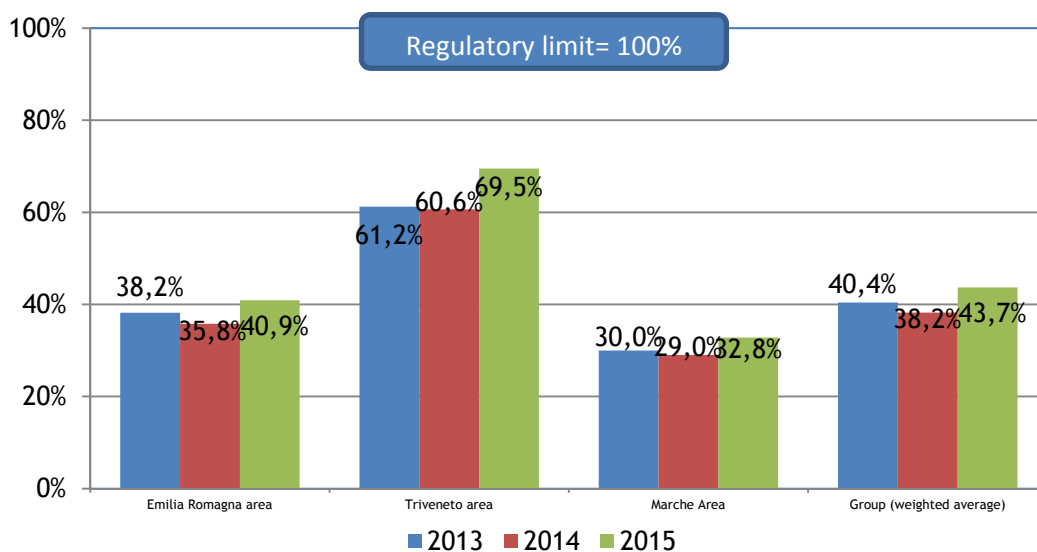
In 2015, the treatment service covered 91% of population equivalents in the areas served by the Group. This value rises to 99% if we only consider areas with over 2 thousand population equivalents in Emilia-Romagna.

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.

In 2015, the Hera Group treated a total of over 410 million m³ of wastewater compared to 414 million in 2014, due to lower inflows of rainwater to the plants in Marche and in the North-East, partially offset by the increase of volumes treated in Emilia-Romagna due to the upgrades at those treatment and pumping plants. In Emilia-Romagna, wastewater treatment was carried out in 874 treatment plants, 15 of which have a capacity of over 100,000 population equivalents each.

The sewer networks that feed those plants are generally mixed and the volumes treated therefore depend on rainfall. Excluding AcegasApsAmga and Marche Multiservizi, the sewage network operated is approximately 14,560 kilometres long and is mixed for about 54% of the total (55% in 2014).

Compliance of treated water with limits set by law (optimal values <100%)



The indicator relates to the plants with over 10,000 population equivalents (the volumes treated in these plants are 78% of the total wastewater treated) and is calculated on the basis of the ratio between the concentration measured for BOD5, COD, TSS, ammoniacal nitrogen, phosphorus and total nitrogen and the related maximum concentrations permitted by Legislative Decree 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 treatment capacity of the plant and the technologies adopted. At Group level, this indicator is 44%, taking into account BOD5, COD, TSS, ammoniacal nitrogen, phosphorus and total nitrogen, and 34% excluding phosphorus and total nitrogen. The indicator of effectiveness of removing main pollutants has risen over previous years, but is still far below the

limits allowed by law. The main changes occurred in Trieste and Rimini, where, however, major plant upgrade projects are in progress, and in Bologna.

Main works to expand treatment plants

Plant	Population equivalents	Country of progress (at end 2015)	Type of works	Environmental benefits expected/obtained
Bologna	800,000	In progress (to be completed in 2016)	Replacement of oxygen production plant	Reduction of energy consumption for oxygen production and resulting saving expected to reach 460 toe
Trieste	220,000	In progress (to be completed in 2018)	Measure to achieve compliance and expand plant	More effective treatment and greater guarantee of compliance with applicable regulations
Ca' Nordio (PD)	197,000	In progress (to be completed in 2017)	Regulatory compliance measure	More effective treatment and greater guarantee of compliance with applicable regulations Expected savings 36 toe
Ca' Nordio (Padova) (PD)	197,000	Planning stage (to be completed in 2019)	Plant enhancement measure	Improvement of treatment efficiency and upgrade of drainage
Cesenatico (Forlì-Cesena)	120,000	In operation (to be completed in 2017)	Upgrade to respect limits concerning total nitrogen and optimisation of the sludge treatment line.	Improvement of treatment efficiency and upgrade of drainage
Cattolica (Rimini)	120,000	In operation (to be completed in 2017)	Upgrade to respect limits on total nitrogen and optimisation of pre-treatment sections.	More effective treatment and greater guarantee of respect for the laws in force
Borgheria (PU)	110,000	Planning stage (to be completed in 2018)	Measure to comply with regulations	More effective treatment and greater guarantee of respect for the laws in force
Abano Terme (PD)	35,000	In operation (to be completed in 2017)	Measure to comply with regulations	More effective treatment and greater guarantee of respect for the laws in force
Ozzano Emilia (BO)	10,000	Testing (to be completed in 2017)	Improvement of the activated sludge treatment line and creation of new line with ultrafiltration membrane	Improvement of treatment effectiveness and greater guarantee of respect for the laws in force

The table shows the main measures of expansion and improvement of water treatment plants underway, that involve a total investment of over Euro 107 million.

During 2015, the work on the Ozzano plant, near Bologna continued and it is currently being tested. The two new plants in Cesenatico (FC) and Cattolica (RN) are already in operation and the final completion of the work on them has been postponed to 2016. In the Padova area, upgrades to the Ca 'Nordio plant are in progress, for compliance with the water protection plan of the Veneto Region.

Percentage of analyses on outgoing treatment plant water compliant with regulations

%	2014*	2015
Plants with over 10,000 population equivalents	99.9%	99.1%
Plants with less than 10,000 population equivalents	99.5%	99.0%
Total	99.8%	99.0%

* Excluding AcegasApsAmga and Marche Multiservizi

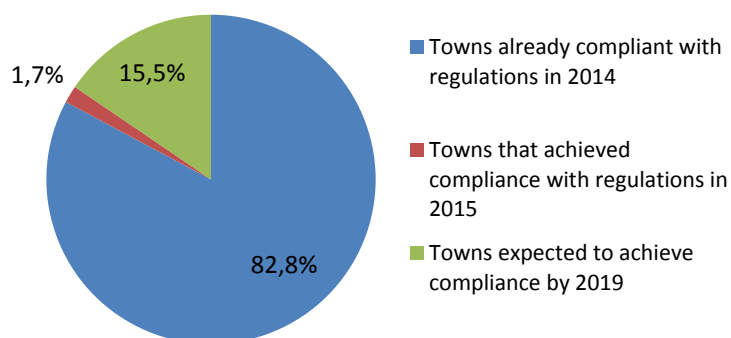
Considering the 12,390 analyses carried out in 2015 on 128 treatment plants, in 99.0% of the cases the results of the analyses were compliant with the legal limits.

The final values show a highly satisfactory situation across all areas with very high percentages of compliant checks compared with all the checks carried out. We have taken into account the checks defined in the Memoranda of Understanding, signed pursuant to Legislative Decree 152/2006 and to provisions contained in the Emilia-Romagna's Regional resolutions no. 1299/01 and no. 2241/05. The only data relating to checks that have found the authorization limits exceeded refer to purely incidental situations and largely compatible with the variability of the incoming quantities, the operating conditions and the structural condition of the plants, such as in the Trieste area where the Servola treatment plant is undergoing major upgrades.

Wastewater treatment quality can also be identified by monitoring the upgrade trends of urban areas, meant 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. Legislative Decree 152/2006 requires that 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 treatment plants must exceed the population equivalents of the built-up area with secondary or third-party treatment (where necessary).

In 2015 we have completed the upgrade of two towns: Ozzano Emilia and Bondeno for a total of 28,000 population equivalents. In 2016 we will complete the upgrade of Cesenatico and Cattolica for a total of approximately 268,000 population equivalents.

Upgrade of the sewerage - treatment system continues



At Group level at the end of 2015, 96 out of 116 towns have been upgraded, of which two in 2015. The towns upgraded amount to 75% of the total equivalent population. In Emilia-Romagna, this figure reaches 87%.

Upgrades are in progress at the main treatment plants in the area served by AcegasApsAmga: in Padova the Ca 'Nordio treatment plant expansion has been planned (to be completed in 2017); in Trieste, the construction of the biological treatment sector of the Servola treatment plant, and the extension of the sewer network in the Piovese municipalities are in progress while the upgrade of the Sistiana sewage treatment plant is expected to be completed by 2017.

Treatment sludge is considered special waste and must be handled according to Legislative Decree 152/2006. In 2015, the plants operated by the Group produced 36 kg of sludge per population equivalent served. 3.1% of the total sludge was reused directly for agriculture. The recovery for agricultural use of treatment sludge only affected the Triveneto area. At group level, the remaining sludge produced was processed by dedicated incineration (19,670 tonnes), transfer to landfills (approx. 30,897 tonnes) and indirect agricultural reuse, following composting (95,309 tonnes).

Constructed wetlands

Hera manages seventeen small or medium-capacity constructed wetlands, located in the provinces of Bologna, Ferrara, Firenze, Forlì-Cesena, Rimini and Ravenna: some are secondary biological treatment plants downstream of primary sedimentation while others are tertiary treatments used for final refinement of the wastewater before its final discharge.

Constructed wetlands are a natural process used to treat polluted water based on the capability of soil and vegetation to remove pollutants. They are designed as a system of biological ponds and of planted macrophyte 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 birds, amphibians and reptiles. In these areas it is therefore also possible to organise educational tours to observe specific animal and plant 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 treatment and process and emission control systems, designed and built so as to attain:

- elevated fume treatment 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 that have been renovated (Modena, Bologna, Ferrara, Forlì, Rimini) are equipped with the following systems:

- double reaction and filtration system to lower the concentrations of particulate, hydrochloric acid, hydrofluoric acid, sulphur 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 nitrogen 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 treatment 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 treatment 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 nitrogen oxides.

The Padova, Pozzilli and Trieste plants have a single reaction and filtration system to lower the concentrations of particulate, hydrochloric acid, hydrofluoric acid, sulphur 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, the following operations are carried out on an annual basis to monitor emissions and environmental impact:

- timely controls of the chimneys, at a frequency set by the Integrated Environmental Authorisation, for those parameters which cannot be continuously monitored, using certified inspectors;
- checks on soil fallout of 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	2013	2014	2015
Particulates	8.1	6.9	7.3
Hydrochloric acid	13.5	16.8	17.0
Nitric oxides	713.3	728.5	744.4
Sulphur oxides	12.3	13.3	13.7
Carbon monoxide	73.2	71.2	75.6
Hydrofluoric acid	0.4	0.4	0.8
Total Organic Carbon	5.8	6.7	8.9
<i>Waste treated in plants (thousands of t)</i>	<i>1,454</i>	<i>1,467</i>	<i>1,401</i>
<i>Net electricity generated (MWh)</i>	<i>878,615</i>	<i>867,540</i>	<i>871,786</i>
<i>Thermal energy produced (MWh)</i>	<i>240,739</i>	<i>216,275</i>	<i>229,294</i>

The data are calculated using continuous measurement systems which are subject to the approval of the supervisory bodies at the time 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. Including the Enomondo incinerator.

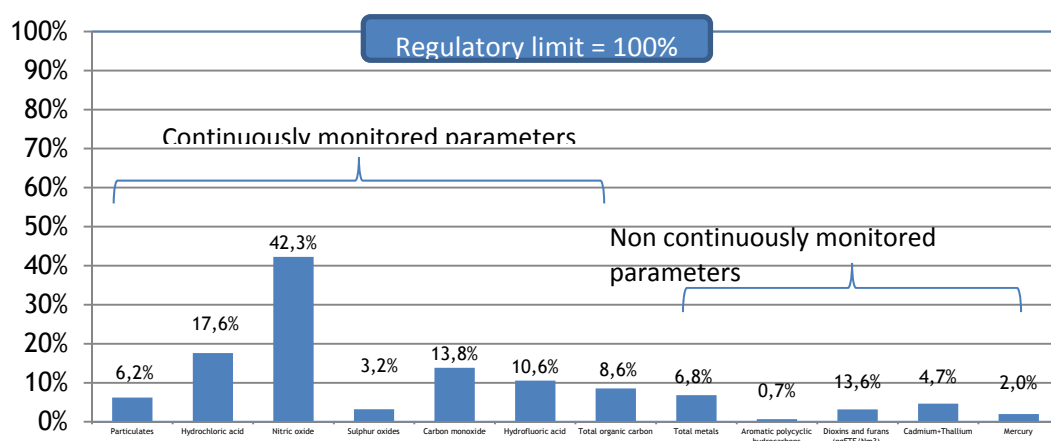
Mass flow analysis over the last two years shows an improvement in total emissions of particulates (-10%) and increases for the other parameters. For all continuously monitored pollutants, the concentrations at the chimney in 2014 were once again much lower than the legal limits: from a maximum of 97% below the legal limits for sulphur oxides to a minimum of 58% for nitrogen 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 2014, in 2015 there was a 37% reduction in dioxins and furans, and a 35% reduction in aromatic polycyclic hydrocarbons. Instead, metals have increased (+59% compared to 2014) primarily due to a different detection limit applied by the laboratories for one plant. In 2015, 285 kg of metals were emitted (180 in 2014), along with 0.53 kg of aromatic polycyclic hydrocarbons (0.81 in 2014) and 21.4 mg of dioxins (33.9 in 2013).

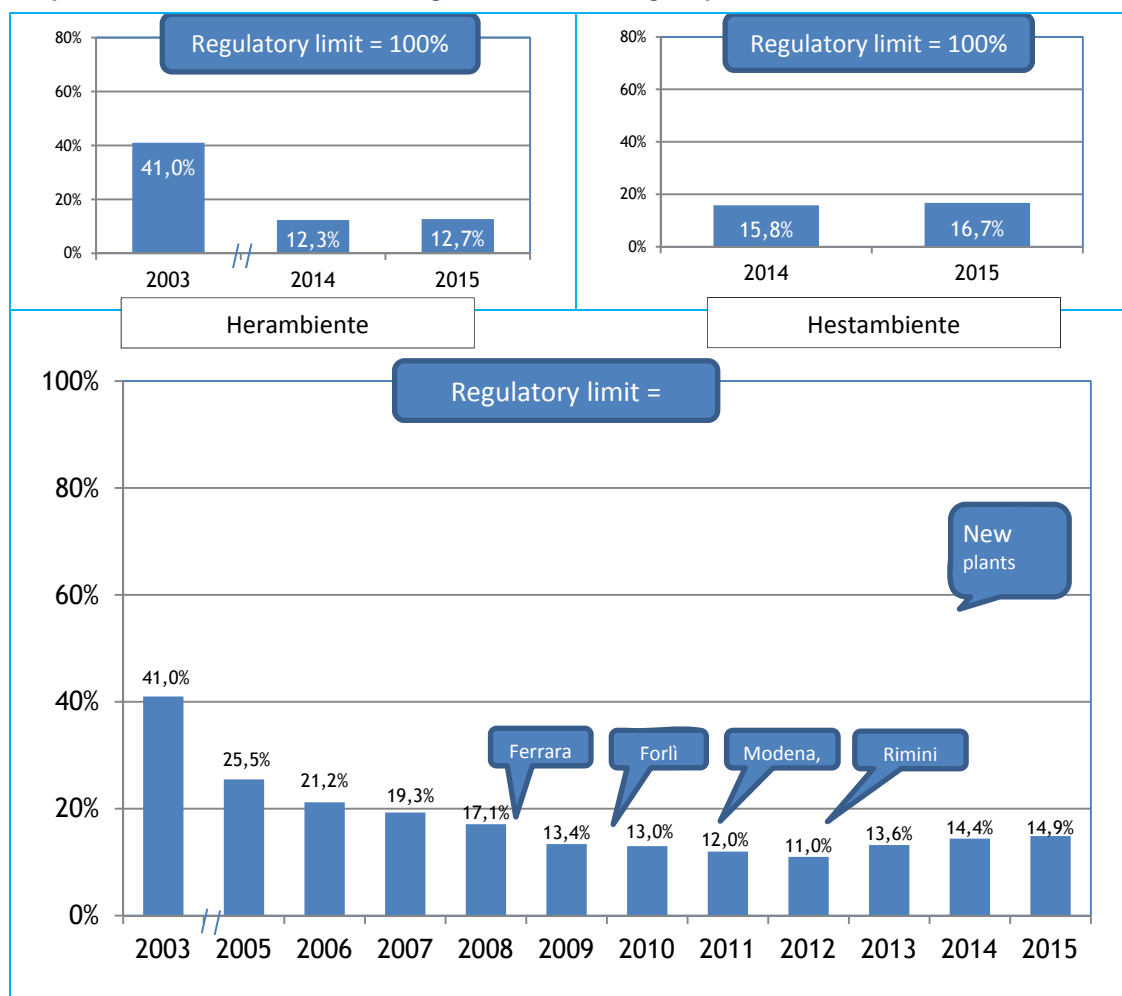
The results of the emission measurements at the Hera Group waste-to-energy plants confirm that, being equipped with the best technologies available and run in the most efficient manner, these plants emit levels of particulate, dioxins and furans, aromatic polycyclic hydrocarbons and metals far below the emission 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, and Rimini) the concentrations were not only well below the legal limits, but also below the limits set by local authorities, which are much more stringent than national regulations.

Legislative Decree 133/2005 requires continuous monitoring of flue emissions for seven parameters. In addition, in the Ferrara, Forlì, Modena and Rimini plants, mercury is also continuously monitored.

Compliance of waste-to-energy plant atmospheric emissions with regulations pursuant to Legislative Decree 133/2005 - (optimal values<100%), 2015



Compliance of waste-to-energy plant atmospheric emissions with regulations pursuant to Legislative Decree 133/2005- continuously monitored parameters (optimal values<100%), average for the managed plants

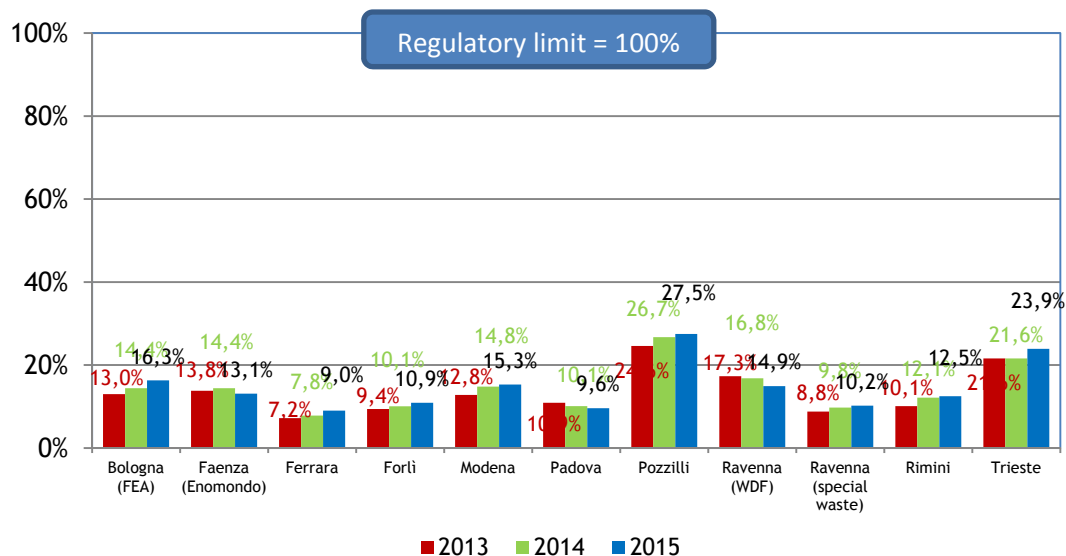


The plant renovation process has resulted in a significant improvement in the abatement percentages of pollutant emissions:

- in January 2008 two new lines of the Ferrara waste-to-energy plant became fully operational;
- since the beginning of 2009 the new Forlì plant is fully operational;
- in April 2010 the new line 4 of the Modena waste-to-energy plant became operational;
- in October 2010 the new line 4 of the Rimini waste-to-energy plant became operational;

In 2015, the average concentrations of the atmospheric emissions of the waste-to-energy plants came to 14.9% of the legal limit. The levels of parameters that do not require continuous monitoring (total metals, polycyclic aromatic hydrocarbons, dioxins and furans, cadmium and thallium, mercury) are also below legal limits: -93% to -98%. Excluding the two AcegasApsAmga plants and the Pozzilli and Enomondo values plants, the values are slightly above those of 2014 (12.7% in 2015 and 12.3% in 2014) compared with 25.5% in 2005. This means that in 2015 the emissions were 87% below the allowed limit, while in 2003 this percentage was 59%.

Compliance of waste-to-energy plant atmospheric emissions with regulations pursuant to Legislative Decree 133/2005 - continuously monitored parameters (optimal values <100%), detail by plant



Atmospheric emissions from waste-to-energy treatment plants compared to authorisation limits - continuously monitored parameters (optimal values <100%)

%	2013	2014	2015
Bologna (FEA) waste-to-energy plant	18.2%	19.5%	27.3%
Ferrara waste-to-energy plant	14.5%	9.4%	10.2%
Forlì waste-to-energy plant	17.5%	18.4%	20.8%
Modena waste-to-energy plant	16.7%	18.9%	19.5%
Ravenna waste-to-energy plant (special waste)	10.5%	15.2%	12.2%
Faenza (Enomondo) waste-to-energy plant	17.2%	18.3%	15.9%
Arithmetic average	15.8%	16.6%	17.6%

The Integrated Environmental Authorisations relating to the plants in Ferrara, Forlì and Modena also require 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 2015 (for the eight parameters monitored in continuation on average the limits set by the authorisations correspond to 76% of the limits laid down in Legislative Decree 133/2005); the data are shown in the table above. The results are excellent also in this case: the concentrations are, on average, 82% below the most restrictive limits. That the limits set by the individual authorisations are different depending on the plant, meaning that it is not possible to compare the performance of the single plants.

As to parameters for which Legislative Decree 133/2005 does not require continual monitoring (total metals, aromatic polycyclic hydrocarbons, dioxins and furans, cadmium and thallium, and mercury), in 2015 the Hera Group took a total of 782 samples, a considerably higher number than the 225 required by national regulations. Among the 782 samples are included those made in six plants in which the IEA request a number of samples higher than national regulations; 724 samples

were done compared to 634 requested. In 2015, as in previous years, Hera plants complied with the authorisation limits for amounts of waste treated, their type and, where present, their geographical origin.

Thermal capacity saturation percentage (of the plant)

%	2013	2014	2015
Bologna (FEA) waste-to-energy plant	100%	100%	93%
Ferrara waste-to-energy plant	82%	91%	95%
Forlì waste-to-energy plant	87%	88%	87%
Modena waste-to-energy plant	89%	94%	95%
Ravenna waste-to-energy plant	100%	100%	100%
Rimini waste-to-energy plant	99%	97%	99%
Pozzilli waste-to-energy plant	98%	99%	100%
Faenza (Enomondo) waste-to-energy plant		100%	93%
Average	96%	96%	95%

Excluding AcegasApsAmga.

Given that in 2015 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 capacity was equal to 95%. This means that in 2014 the plants were used at 95% of their potential.

Natural gas is used by the waste-to-energy plants during start-up and shut-down and to support combustion if the calorific value of the waste being treated is low: the overall 2015 consumption, excluding Hestambiente and Enomondo, was about 7 million m³. Compared with 2014 there was a reduction in natural gas consumption of over 500,000 m³, despite the 6% increase of waste treated. This reduction is mainly due to a reduction in the consumption of natural gas of the plants in Rimini (which decreased the number of stops and improved the quality of treated waste), Bologna and Ravenna, partially offset by increased consumption at the Pozzilli plant and at the Modena plant, which is now fully operational after stopping in August 2014.

Electricity generated in relation to waste disposed of

kWh/t	before revamping	2015	delta
Ferrara waste-to-energy plant	251	486	+93%
Forlì waste-to-energy plant	295	553	+87%
Modena waste-to-energy plant	282	642	+127%
Rimini waste-to-energy plant	351	590	+68%
Weighted average	290	578	+93%

The performance of some plants is expressed here as the ratio between electricity generated and waste disposed of, highlighting the improvement resulting from their revamping.

Atmospheric emissions generated by district heating

Emissions of nitrogen oxides and carbon dioxide, from the 12 district heating plants, increased by 9.4% and 12.7% respectively compared to 2014, due to the greater usage of the thermal power plants (particularly for Ferrara) passing from 31% in 2014 to

35% in 2015, and to greater production of heat. In 2015, in fact, the district heating plants produced a total of 652 GWh of electricity and thermal energy, 13% more than in 2014. The ratio between emissions and the energy produced provides a measure of specific emissions. In 2015, 163 grams of nitrogen oxides were emitted for each MWh of electricity generated and 120 grams of carbon dioxide for every kWh (substantially unchanged compared with 2014).

Atmospheric emissions generated by district heating

t	2013	2014	2015
Nitrogen oxides	110.3	97.2	106.4
Carbon dioxide	83,762	69,503	78,350

The data refer to the thermoelectric power and cogeneration stations that power district heating.

Considering the concentrations of nitrogen oxides, carbon monoxide and particulates, the concentrations of the atmospheric emissions of the cogeneration plants for district heating came to 39% of the limits set by the plant authorisations (65% of the limits for nitrogen oxides, 12% for carbon monoxide and 25% for particulates).

Atmospheric emissions generated by district heating (2015)

t	Nitrogen oxides	Carbon dioxide
Bologna	58.6	44,067
Ferrara	11.9	9,455
Forlì-Cesena	26.9	17,775
Imola-Faenza	2.5	1,807
Modena	5.4	4,305
Ravenna	1.18	942
Total	106.4	78,350

Emissions of the Imola cogeneration plant

Again in 2015, the specific emissions of the Imola cogeneration plant remained at extremely low levels: the nitrogen oxides, the most present emission in the flue gases, remained around 50% of those authorized, while carbon monoxide concentrations went down to 11% of the authorised level.

Significantly, the environmental authorisation of the Imola plant sets limits for nitrogen oxides and carbon monoxide that are 75% to 80% below those of national legislation.

In 2015, to replenish the cooling tower, 217,175 cubic meters of water were used, more than the usage recorded for 2014 (+23%) due to increased operation in the summer of 2015 for electricity production, remaining however under the 270 thousand m³ limit authorized for 2015.

The two lines operated respectively for 3,345 and 5,080 hours, significantly up from 2014 due to the greater summer electricity generation.

Atmospheric emissions from the Imola cogeneration plant

mg/Nm ³	National limit	Authorised limit	2014	2015
Nitric oxide	60	15	8.0	8.9
Carbon monoxide	50	10	1.1	1.6
Ammonia slip	not required	2.5	0.1	0.1
Total Particulate Matter	not required	5	<0.010	0.02
PM ₁₀	not required	1	0.04	<0.04

The authorised emission limits are those set by the environmental compatibility decree issued by the Ministry for the Environment and Protection of Local Areas DEC/DAS/2006/00142 of 15 February 2006 (only NO_x, CO and NH₃) and the Integrated Environmental Authorisation of the Province of Bologna of 11 April 2007, reference no. 124043, as amended. The values are the average continuously measured values (for PM₁₀ the values are the average of the 8 analyses carried out). The limits reflect the hourly average (except for PM₁₀).

The Imola plant, used for district heating, stands out not only for its excellent performance in terms of energy production but also from an environmental perspective since its low atmospheric emissions have been achieved with significant energy savings. In fact, in 2014 it recorded energy savings of 19.4% while saving 118,719 megawatt-hours of primary energy.

Corporate vehicle fleet

Fleet (No. of vehicles)

N	2013	2014	2015
Diesel	2,605	2,744	2,784
Petrol	702	637	533
Natural gas	531	502	528
LPG	126	240	286
Electric powered	26	26	22
Total	3,990	4,149	4,153

Non-circulating vehicles being disposed of were not included.

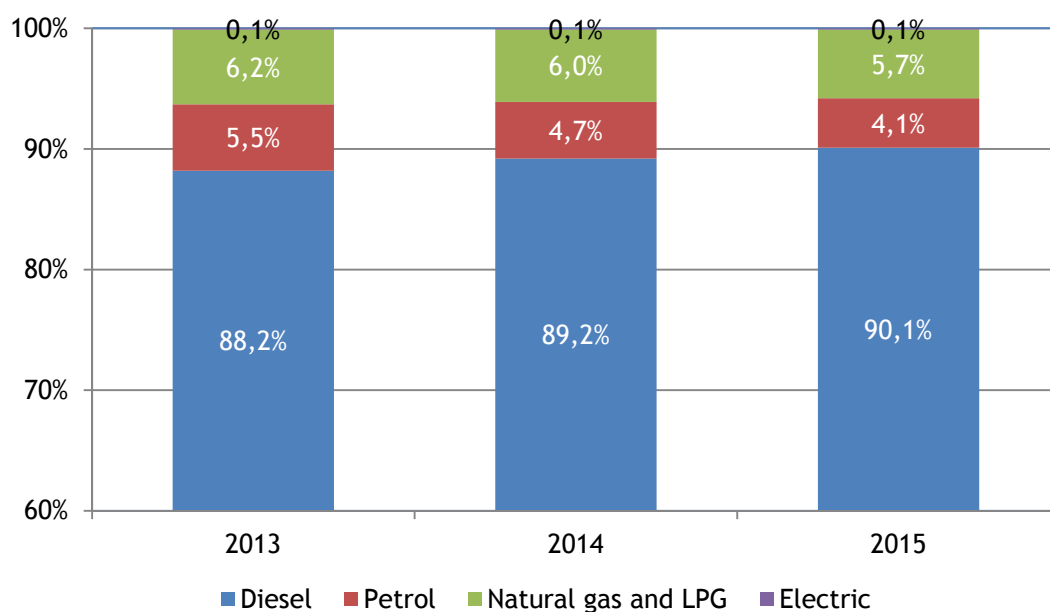
The strategy of streamlining the use of the vehicles continued, beginning with the purchase of technologically advanced vehicles powered by fuels with reduced environmental impact to replace obsolete vehicles.

The Group owns 4,153 vehicles, of which 528 are natural gas powered, 286 are powered by LPG and 22 are electric, amounting to 20.1% of the total. Excluding AcegasApsAmga and Marche Multiservizi. In 2015 326 vehicles were sold, while 168 diesel vehicles, 46 methane vehicles, 47 LPG vehicles and 4 electric vehicles were registered, excluding Marche Multiservizi. Currently, excluding AcegasApsAmga and Marche Multiservizi, the Hera Group uses 11 natural gas powered automatic waste compactors out of an overall total of 170.

The Group's commitment to reducing the environmental impact of its fleet was further consolidated by the release, in May 2013, of an operating instruction that prioritises vehicles with reduced environmental impact (natural gas, 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 local 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 powered by low environmental impact fuel grew by 4% over 2014.

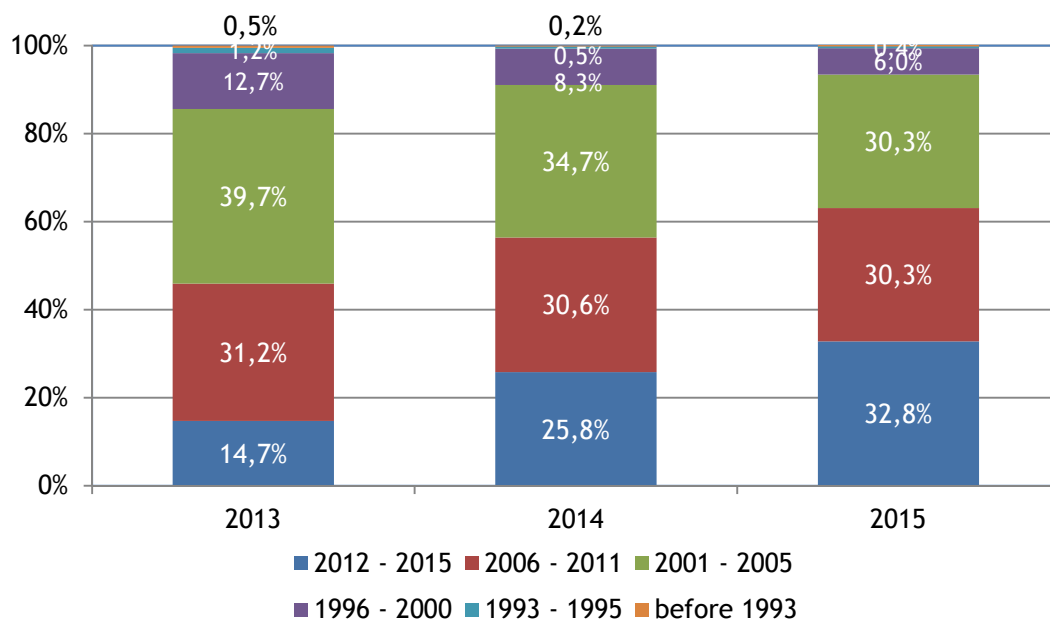
Fuel consumed by vehicles



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 over 4% in fuel consumption. This fall is distributed among the various fuels but the most notable reduction (-16.8% compared with 2014) 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. The opportunity to use the three electrically-assisted bikes and its photovoltaic station in viale Berti Pichat in Bologna generated a lot of interest.

In 2015, 167 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.

In 2015 we also enriched the section of our intranet on transportation management to raise awareness among employees of the good reasons to use public transport and to safely move around in the city environment.

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 by combustion processes among other factors.

The 2013-2020 period 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 sets a cap on the total level of emissions permitted to all parties that participate in the scheme, but it also allows them to trade CO₂ emission quotas on the market 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 if it is necessary to purchase emissions certificates because the plant has exceeded its 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.

Nine Hera Group plants are authorised to emit greenhouse gases on the basis of Emissions Trading legislation, involving total installed furnace power of 505 MW.

The carbon dioxide emissions for 2015 increased 19% to 184,137 compared to 2014 (154,864) due to a particularly hot season and to longer scheduled stops for the Casalegno (Imola) plant. For these plants, the emission cap set by the EU ETS system for 2015 was 50,693 tonnes while the free allowance came to 38,832 tonnes.

Total greenhouse gas emissions of plants

	2013*	2014*	2015*	2015
Waste-to-energy plants (t)	352,681	333,007	327,745	511,715
Plants authorised under the Emissions Trading directive (t)	210,340	154,864	184,137	184,137
Landfills (t)	235,146	269,013	325,275	325,275
Total (t)	798,167	756,884	837,157	1,021,127
Electricity and thermal energy produced by plants (MWh)	1,452,983	1,415,759	1,510,926	2,224,406
Intensity of emissions (kg/MWh)	549	535	554	594

Excluding Marche Multisevizi. * Excluding AcegasApsAmga.

Excluding Marche Multiservizi, the Group's plant's total greenhouse gas emissions amounted to 1,021,127 tonnes of CO₂ equivalent, sharply up compared to 2014 due to the expansion of AcegasApsAmga's area of operations.

In addition to these emissions, there are also the emissions coming from gas network leaks and motor vehicles, which are estimated at 443,000 tonnes. Considering also these emissions, the increase, at comparable area of operations, is of 14% compared to 2014.

Indirect emissions from electricity consumption came to 221,103 tonnes.

Considering the emissions from the electricity- and heat-producing plants indicated in the table (these plants account for 66% of the Group's total energy production), the intensity of greenhouse gas emissions in 2015 was 594 kg per MWh of energy, up 11% over 2014 due to lower electricity generation from landfills and the consolidation of Hestambiente (at comparable area of operations the figure is 554, 3.5% higher than that of 2014 for the decrease of energy production in landfills).

The following components were considered in order to quantify greenhouse gas quantities:

- landfills: methane contained in the biogas given off by the landfill matter, plus carbon dioxide from the combustion of tapped biogas, from which the portion of 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 natural gas;
- losses in the gas network: estimated as the difference between the natural gas fed into Hera stations and the natural gas invoiced to customers; therefore, this figure includes real losses (due to breakage of pipes) and administrative or apparent losses (errors in consumption estimates 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 of 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 collected

The Hera Group is a major player in the field of municipal waste management. Hera manages the municipal 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 2014 for a total population of 3.3 million inhabitants.

Hera's 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;
- residential collection for target users: for non-household users that produce specific waste that can be treated as municipal waste;
- Separate Waste Collection Centres (also known as Equipped Drop-Off Points): infrastructures where all types of separated municipal waste, including hazardous waste, can be dropped off.

The system is also supplemented by the residential 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 hazardous waste at specific businesses (such as batteries and pharmaceuticals).

Lastly, the roadside collection and collection at shopping centers of WEEE (Waste Electrical and Electronic Equipment) and of used vegetable oil is gradually spreading.

To improve their effectiveness, the collection services are differentiated according to standardised area types (city centres, residential areas, tourist areas, suburban 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 majority of waste, Hera is implementing various systems geared towards the future application of quantity based pricing:

- roadside bins with a control system and user recognition ("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 (for example, roadside collection for some materials and door-to-door for others; roadside collection in some areas, door-to-door in others): in the following tables the local collection services of each municipality are simply reclassified by their main system.

Main forms of waste collection used in the community

number of municipalities served	2013*	2014*	2015
Roadside collection	104	104	145
Roadside collection with special disposal control mechanisms	23	21	20
Door to door	20	18	24
Total	147	143	189

* Excluding Marche Multiservizi.

In 2015, no changes were made to the waste management systems used in the municipalities served. Of the 189 municipalities served by the Group, 145 (79% of the entire population served) were mainly served with the roadside system, 20 with the electronic waste tracking disposal system (10% of the population served), and 24 with the door-to-door system (11% of the population served). The increase of the number of municipalities is due to the consolidation of Marche Multiservizi.

Collection of municipal waste

The quantity of municipal waste collected per capita area served by the company keep on decreasing (-0.5% compared to 2014) although the total amount of waste collected per capita in the Emilia-Romagna region increased by 1.2%. In 2015 data

concerning a comparable area of operations continued to show an increase of the amount of household waste handled (+0.9%), as seen in 2013, due in part to population growth adjusted for the number of municipalities served (+0.2%) and also to the increase of waste produced per capita (+0.8%, excluding waste from beaches). There has been an increase of separate waste collection (+4.4%), in line with European goals, and a decrease of non-separated waste (-3.1%). The increase of separate waste collection at waste collection centres is particularly relevant (+10.1%).

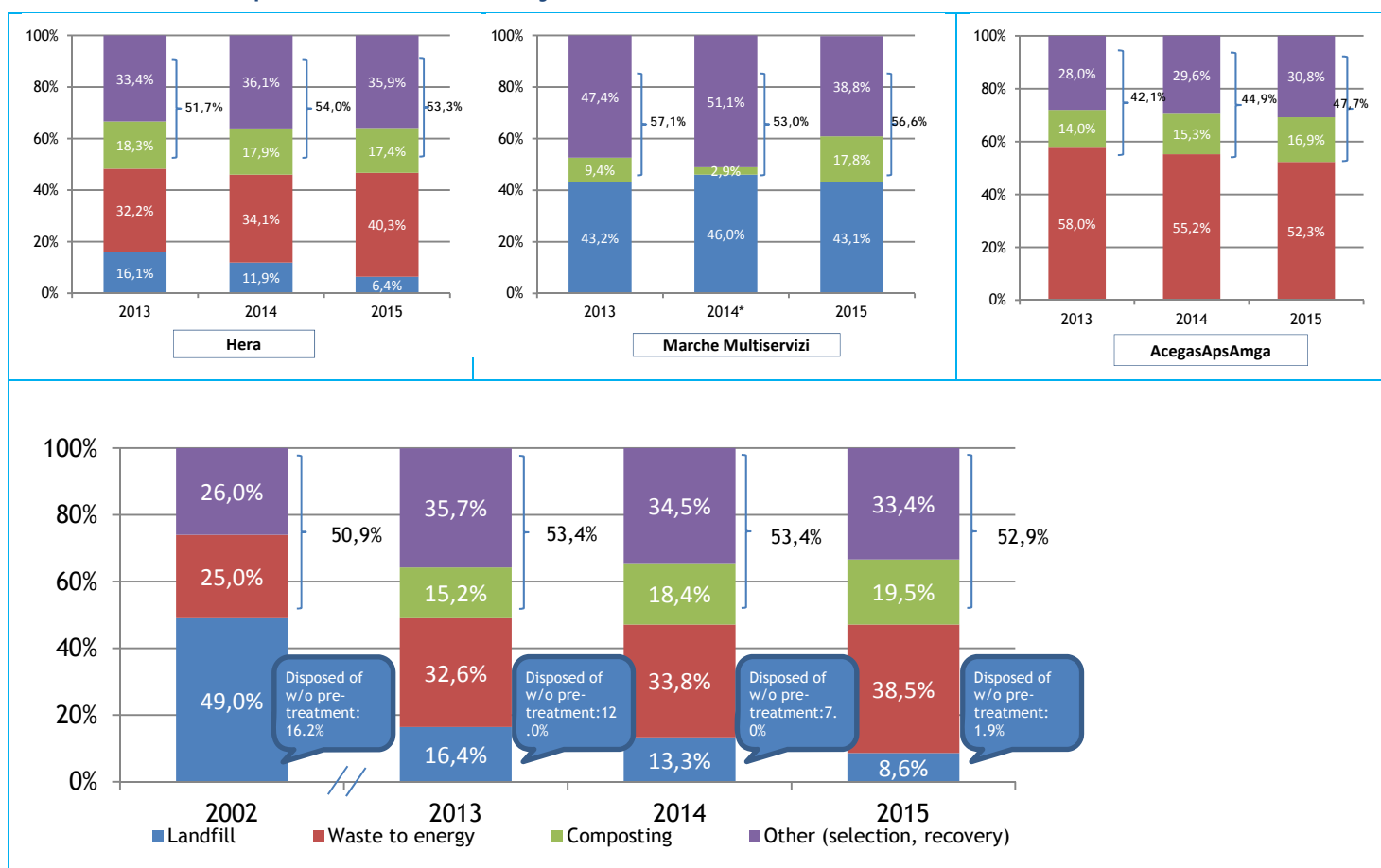
Municipal waste collected, by area

thousands of t	2013	2014	2015
Hera	1,582.1	1,605.1	1,627.5
AcegasApsAmga	254.5	257.1	247.3
Marche Multiservizi	174.1	165.6	157.1
Total	2,010.6	2,027.8	2,031.9
kg per inhabitant	608	605	601

The data relating to waste collected per capita does not include waste from beaches.

The area served by Hera is characterised by a high level of production of similar-to-municipal waste and, as such, has one of the highest annual per capita waste production rates in Italy: 601 kilograms per inhabitant (616 kilograms per inhabitant excluding AcegasApsAmga), compared with a national average of 488 kilograms in 2014 (source: 2015 Ispra municipal waste Report).

Municipal waste collected, by destination



*data that have changed since the previous Sustainability Report, due to the data collection method used for 2015.

In contrast with the slight increase of municipal waste production described previously, in 2015 there was a further reduction in the amount of waste disposed of in landfills (-4.7% compared with 2014). This is due to the Group's goals which, in line with national and European regulations, require reducing the use of landfills and increasing separate waste collection.

In 2015 the percentage of municipal waste disposed of in landfills after pre-treatment was 8.6%, compared with the 2014 Italian average of 34%, (source: Eurostat), therefore below the 2030 goal set by the by the Circular Economy Package defined by the European Commission last year in December.

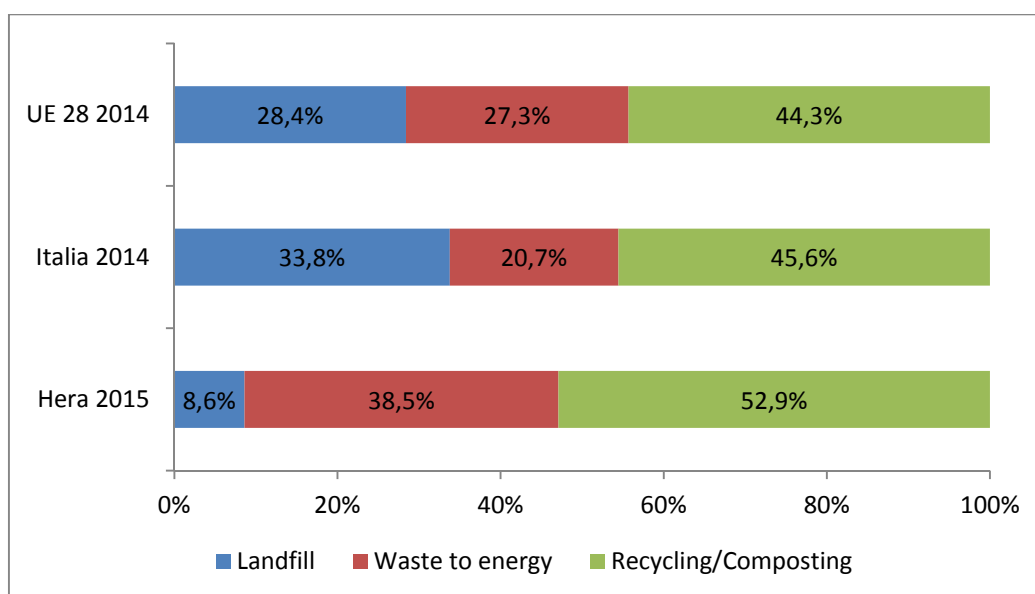
Disposal of waste in Italy and Europe

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 downward trend of using landfills to dispose of municipal waste continues: in the EU-28 the figure was 28% (source: Eurostat). However, landfills are still the main way of treating waste in Italy: 34% of disposed municipal waste in 2014 was transferred to landfills compared to 21% sent for waste-to-energy treatment.

Municipal waste: A three-speed Europe and Hera's area of operation is among the most virtuous

Landfills continue to be the primary treatment method in 12 European countries. In Italy 34% of municipal waste is disposed of in landfills. In Europe, the most virtuous countries are Germany, Sweden, Belgium, the Netherlands and Denmark. In these countries little or no municipal waste is disposed of in landfills, while waste-to-energy treatment accounts for 35% to 54%. The remainder is recycled. Hera is in line with these countries in terms of recycling with further improvements planned for the coming years.

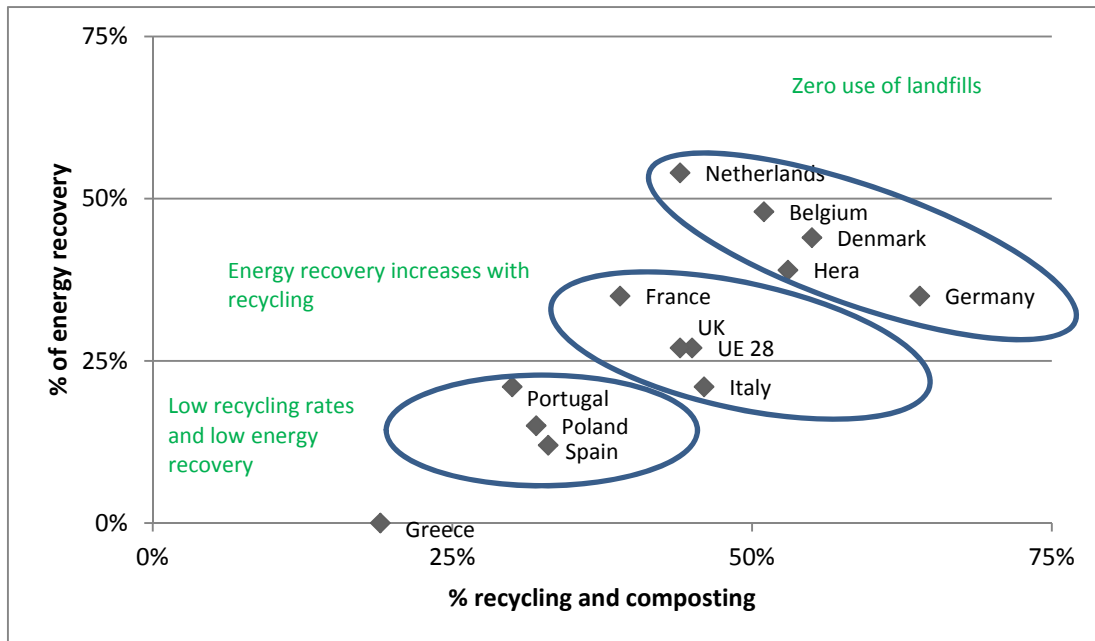


Disposal of waste in Europe

Country	Landfill	Waste to energy	Recovery/Recycling
Netherlands	1%	48%	51%
Germany	1%	35%	64%
Denmark	1%	54%	44%
Belgium	1%	44%	55%
Sweden	1%	50%	50%
Austria	4%	38%	58%
Estonia	8%	56%	37%
Hera 2015	9%	38%	53%
Finland	17%	50%	33%
Luxembourg	18%	35%	47%
France	26%	35%	39%
European Union	28%	27%	44%
United Kingdom	28%	27%	45%
Italy	34%	21%	46%
Slovenia	39%	0%	61%
Ireland*	42%	18%	40%
Portugal	49%	21%	30%
Poland	53%	15%	32%
Spain	55%	12%	33%
Czech Republic	56%	19%	25%
Hungary	59%	10%	31%
Lithuania	60%	9%	31%
Bulgaria	74%	2%	25%
Cyprus	75%	0%	25%
Slovakia	76%	12%	12%
Greece*	81%	0%	19%
Romania*	82%	2%	16%
Croatia	83%	0%	17%
Malta	88%	0%	12%
Latvia	92%	0%	8%

*2013 data. Source: Eurostat

Disposal of municipal waste in Europe



Waste prevention initiatives

The European Directive 2008/98/EC on waste, transposed into Italian Law by Legislative Decree 205/2010, defines the following hierarchy for 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. These initiatives have enabled us to prevent the production of around 11,000 tonnes of waste, equivalent to the annual output of over 18,000 people.

The most significant initiatives are Cambia il finale Farmaco amico, Cibo amico, Hera2o and the Urban water sources deepen described in case studies. Among other initiatives we mention :

- “Second Life”, a reuse area launched in September 2011 together with the Bologna municipality, very close to a separate waste collection centre. In 2015, the facility was operated by the social cooperative “Fare Mondi”. During the year, Second Life has received almost 65,000 objects, putting almost all of them back into circulation. The most-exchanged items are clothes (43% of items incoming and 44% of outgoing items) and cultural materials - books, CDs, DVDs, vinyl records (18% of incoming items and 17% of outgoing items);
- “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 not-for-profit association;

- “Trashware”. Developed by student association S.P.R.I.Te. in partnership with the Cesena municipality, Hera and the Campus of the University of Cesena, the project is a reference point in the area for those that wish to get rid of old but functioning computer equipment and for all parties that need reconditioned computers for basic computer activities. The “Trashware” project met its 5th-year goal and will continue its activity in 2016. The number of reconditioned PCs given to schools and associations grew from 138 in 2011 to a total of 871 in January 2016; during 2015 116 refurbished PCs were delivered.
- “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.

Finally remember that Hera has delivered for free, on request, in the territory served about 38,000 composters. In some municipalities the deliver of composter is associated with a bill discount. The estimated impact of this initiative is approximately 10,000 tonnes of biodegradable waste avoided from Hera collection (source: internal processing on ARPA Report 2015).

Separate waste collection

More and more services launched to recover waste

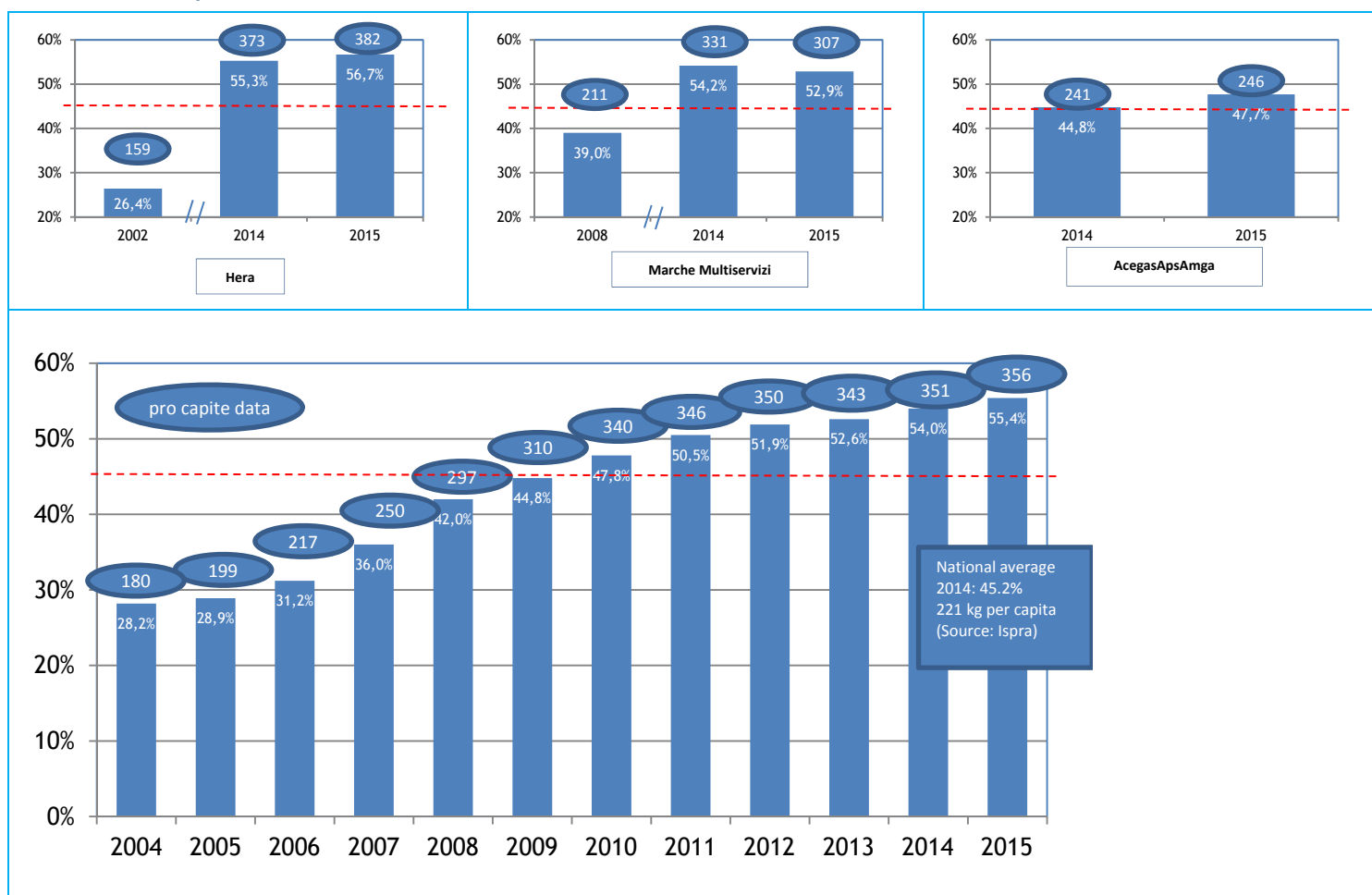
The area served by the Hera Group has a very well-structured collection system that makes it possible to separately collect many different types of municipal waste, reconciling the needs of the Municipalities with management efficiency and effectiveness.

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 mowing and pruning;
- other waste: inert materials from small demolitions, used mineral oil and cooking oil, batteries and accumulators, pharmaceuticals and other hazardous municipal waste.

The Group's system includes collection via both roadside rubbish bins (bins, igloo bins and containers), and door-to-door collection (for both household users and “targeted” collection for non-residential users. There are 170 separate waste collection centres (or equipped drop-off points, including 142 in Emilia-Romagna, 9 in the Triveneto area and 19 in Marche) for citizens to drop-off their waste. 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 includes waste from street cleaning and excludes waste from beaches and, since 2013, takes into account the Emilia-Romagna Regional Authority Decision 2317/2009. Separately collected waste also includes similar-to-municipal waste disposed of by manufacturers for recovery, and separately collected waste from third parties or directly from municipalities. The differing criteria for considering waste as similar-to-municipal laid down by Atersir, the Water and Waste Regulatory Authorities and municipalities may be responsible for quota differences from one area to the next.

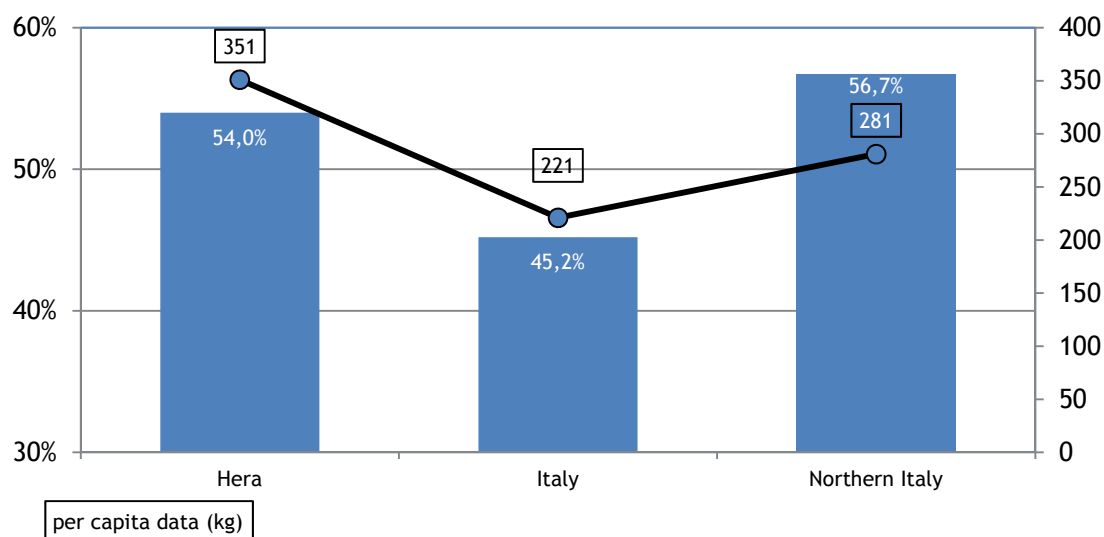
At Group level, the percentage of separated waste, which represents the relationship between the quantity of municipal waste collected in separate form and total municipal waste, went from 54.0% in 2014 to 55.6% in 2015. Excluding AcegasApsAmga and Marche Multiservizi this value rises to 56.7%. National average is about 45.2% in 2014 (source: ISPRA).

The calculation of the Group's separate waste collection also includes similar-to-municipal waste sent for recovery by manufacturers and separate waste collected from third parties as defined by Regional Authority Decision 2317/2009, implemented in the municipal and local regulations in force. In 2015, this amount of waste was equal to around 130 thousand tonnes, excluding AcegasApsAmga and Marche Multiservizi, or 13% of the total amount of separate waste collected, down versus 2014 (-9%). The 2016 target for separate waste collection is: 57.2% (58.1% for Hera Spa, 50.3% for AcegasApsAmga and 57.8% for Marche Multiservizi.)

In the 9 provincial capital cities where the service is provided by Hera, in 2014, the level of separate waste collection reached 50.0%, compared with a national average of 39.8% in Italy's provincial capital cities and 50.4% in the cities of Northern Italy (sources: 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 2015, the amount of separated waste collected per capita came to 356 kilograms per inhabitant, 1.4% up on the previous year. The comparison with the 2014 average national figure remains quite significant: (221 kg per capita) compared with that of Northern Italy (281 kg) as found by ISPRA, also due to the high production of waste that can be considered similar-to-municipal waste in the area served by Hera.

Separate waste collection (2014 data)

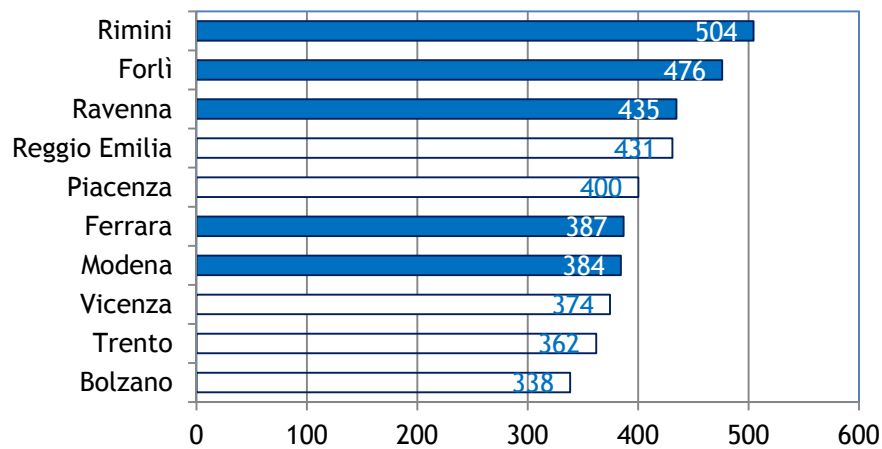


The cost of collecting and disposing of municipal waste is also influenced by the revenues coming from the sale of separately collected and recovered material or the contributions that Conai (the national packaging association) provides to the service manager. In 2014 these revenues and contributions came to 27% of the direct costs of separate waste collection (including the cost of treating and recovering waste) as report in the report "Tracking waste".

Separate waste collection in the main Italian cities (kg/pro capite)

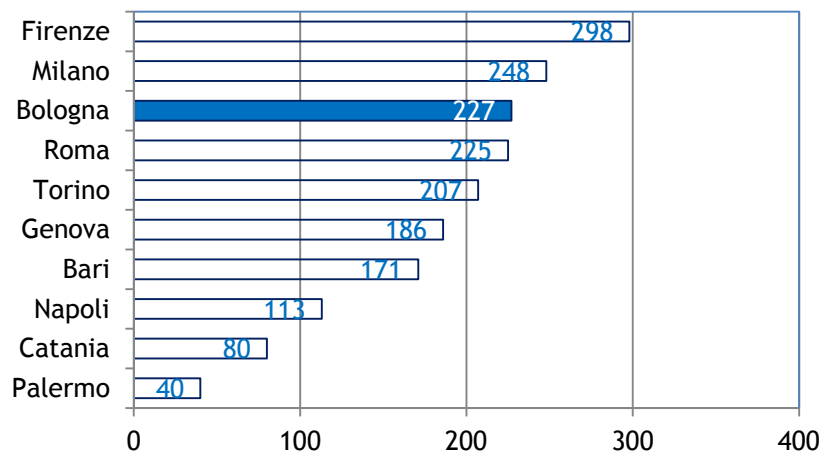
Considering Italy's provincial administrative capitals with populations over 100,000 inhabitants, 5 of the top 10 best-performing cities by per-capita separate waste collection are served by the Hera Group.

Separate waste collection per capita, kg, towns with more than 100,000 inhabitants (2013)



On the other hand, considering provincial administrative centres with populations of over 300,000 inhabitants, Bologna is third in Italy.

Separate waste collection per capita, kg, towns with more than 300,000 inhabitants (2013)



(Source: processing of Legambiente, Ecosistema Urbano 2015 data).

2015 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:

- the ongoing reorganization project in the Bologna municipality which implemented a mixed collection system in the city centre (door to door for non-separated waste, paper, plastic and glass, and mini-underground drop-off points for glass and organic waste) and, in the Savena residential district, the introduction of an electronic non-separated waste disposal control system ("lid" system).
- introduction of a mixed collection service (door-to-door for non-separated waste and organic and basic drop-off points for paper, plastic, and glass) which covered multiple areas around Cesena, in its province and in some municipalities of the province of Ravenna.

- Door-to-door collection increased in the Forlì area while in the province of Forlì Cesena a strong communication campaign was organized to increase the quality and quantity of glass properly disposed of.
- Collection of organic waste in the Ferrara municipality has been extended to part of the city centre and the towns surrounding the city and door to door collection has started for scattered houses in the area.
- In various municipalities in the Modena province door-to-door collection has been implemented for industrial areas and collection has been changed from roadside bins to basic drop-off points, introducing a system that limits drop-off of non-separated waste; door to door collection has been increased in the city centre of Modena.

Much interest was attracted by the startup of an experimental collection system aimed at implementing of precise fees with different collection systems in the municipalities of Budrio (door to door), San Giovanni in Marignano (roadside with electronic "lid"), Castelfranco Emilia (with particular interest for the experiment involving "intelligent" roadside drop-off points).

An innovative multibusiness remote reading project is in progress that collates the data collected by meters and bin devices for the gas, water, electricity, district heating and waste management services.

Major communications and public relations initiatives were activated for separated waste drop-off points (waste collection centres) again in 2015. In particular, by involving schools (Riciclandino), local areas (distribution of locally-sourced products) and working with mass retailers (points collection).

Measures taken to improve service do not end with the actions described above but rather will continue, also given the boost provided by the new Regional Law 16/2015 and the Regional Waste Management Plan, by further reorganizing the services to increase separate waste collection and to apply quantity-based pricing. The systems chosen to be implemented by local areas include:

- the roadside basic drop-off points system with electronic control of non-separated waste;
- the "mixed" system (door to door for non-separated waste and organic, roadside basic drop-off points for paper, plastic, and glass);
- the total door to door system (except for glass, using roadside igloo bins).

The role of waste collection centres and waste prevention initiatives will be increasingly important.

In 2015 separate waste amounted to 1,183,700 tonnes (+2% compared with 2014).

As regards the individual areas, the growth of separate waste collection in the Bologna area (+8.7%) was particularly high. Other positive results were achieved in Modena (+6.7%), Imola-Faenza (+4.8%) and Forlì-Cesena (+4.4%). Slight reductions were recorded in the areas of Ferrara, Ravenna and Rimini due to a general reduction of overall municipal waste. Separate waste collection increased in the Trieste area (+13.6%), while it decreased slightly in the Padova area (-1.8%) due to a decrease of total municipal waste. Separate waste collection decreased in the areas served by Marche Multiservizi (-3.0%) mainly due to a lower amount of inert materials being brought to the waste collection centres.

In terms of percentage of separate waste collection, Rimini (61.8%) and Modena (61.4%) exceeded a 60% share, with Ravenna close behind; the other areas all are in the 52-55% range. Bologna confirms its significant growth trend, increasing by almost

3%. The upward trend in the percentage of separate collection continued in the Triveneto area (54.7% in Padova with an increase of 2% from 2014 and 37.0% in Trieste with an increase of five% from 2014). There was a slight decrease in Marche (52.9%, down 1% from 2014) as noted above.

Below is an outline of the collection trends of the various waste materials in 2015, in comparison with 2014:

- strong growth of bulky waste (+10.9%)
- significant growth of green waste (+6.1%) and plastic (+5.1%)
- a decrease for iron (-6%) and inert materials (-5.1%)

Separate waste collection by waste type

Thousands of t	2013	2014	2015
Paper and cardboard	243.3	252.1	251.7
Green waste	227.0	237.8	252.4
Glass	94.6	94.3	92.3
Organic waste	167.1	182.5	183.7
Plastic containers	73.6	77.5	81.4
Mixed materials	71.6	64.7	64.8
Wood	88.2	86.5	86.7
Bulky waste	41.8	43.3	48.0
Inert materials	57.9	55.5	52.7
Iron	27.5	28.8	27.0
WEEE	15.7	16.1	16.1
Other	13.4	21.6	26.8
Total	1,121.7	1,160.7	1,183.7

Separate waste collection by waste type is shown here taking into account the Regional Authority Decision no. 2317/2009.

The separate waste collection amount of Hera are caused by the high capillarity of services provided and assimilation rules that encourage the recovery of materials. Hera is always located above the national average and (except for glass and plastic) the average of Northern Italy.

Separate waste collection per capita (2014)

	Paper	Glass	Plastic	Wood	Metals
Hera Group	76	28	23	26	9
Northern Italy	63	37	23	18	6
Italy	52	28	16	11	4
Best Region	81*	49**	30*	45**	11***

*Emilia Romagna. **Valle d'Aosta. ***Trentino Alto Adige.

Source: Ispra

The recovery of glass has been the subject of media coverage in June 2015 with reference to the activities performed by one of Hera's suppliers in the Modena area which, on behalf of Hera, carried out separate collection of glass and initial processing thereof. In this regard, Hera, through the report "Sulle tracce dei rifiuti" (tracking waste) published annually by 2010, is able to guarantee the traceability of the recovery cycle. In particular:

- The report "Sulle tracce dei rifiuti" is based on formal statements of companies of first destination of separate waste collection and that is checked by the third party Dnv-Gl. The data is also checked against the reports in the Orso database of Arpa Emilia Romagna.
- In the 2009-2014 period these totalled 530,970 tonnes of which 499,670 were recovered, at a rate close to 94%.
- The secondary raw material extracted from the glass coming from separated waste collection was sent in 2014 to 8 final recovery facilities listed in the report released in November 2015. The amount not recovered was sent to disposal plants as per the supplier's official reporting to the Emilia Romagna Region authorities.
- Based on the above, the piles of glass stocked by the supplier subject of media coverage, cannot be attributed to Hera's separate waste collection. Furthermore, from the information we have, the volumes relating to activities with Hera do not account for more than 30% of the deliveries to the supplier in question.
- Glass recovery activity has produced an income of 2.8 million in 2015 to full benefit of citizens as such revenues as required by standard cost deduction are carried in separate waste collection for the purpose of calculating the TARI tax and are determined based on the amount of glass collected.
- The supplier in question has always held the authorizations required for the waste treatment activities and no serious infringements which would justify the termination of the contract have occurred.

At the date of approval of this Report, following a public tendering procedure, Hera has changed the supplier that deals with the collection and transportation of glass. Starting from 1 April 2016, the material collected will be sent to the Co.Re.Ve facilities or sold on the market on the basis of a public tendering procedure.

Collection of bulky waste

Bulky waste is that waste that due to its type, size and weight, cannot be disposed of in bins for municipal waste. It also includes the largest WEEE-type waste. Hera currently offers the following options for the collection of bulky waste and WEEE, so it can subsequently be recovered or disposed of:

- donation of the item to the not-for-profit organisations involved in "Cambia il finale": if it is reusable, the user can donate it for reuse by means of a not-for-profit organization. The not-for-profit organization may collect bulky waste at its facility or at the user's home, to give it new life and use it for charity.
- delivery to the drop-off points: if is not reusable, it can be taken to the nearest drop-off point request for home collection service.
- Hera's home collection service: if the item is not reusable and the user cannot bring it to a drop-off point, the user can call Hera's bulky waste service.

Excluding AcegasApsAmga and Marche Multiservizi, in 2015 the Group received 74,266 collection requests for bulky waste, up 11% over the previous year. Including the waste disposed of at Separate Waste Collection Centres and the waste dumped without notification, a total of over 54,000 tonnes was collected (+9% versus 2014). This trend is consistent with the increase of separate waste collection found between 2014 and 2015. The efficiency and prevention initiatives developed, together with targeted information campaigns, have contained to increase disposal of bulky waste

and have led to an increase of the use of the drop-off point as a terminal for this type of material.

Waste disposed of

Hera manages a plant system that is unique in Italy in terms of comprehensiveness and level of integration

The Hera Group, through its Herambiente subsidiary, manages 85 treatment plants for recovery and disposal of urban and of hazardous and non-hazardous special waste. 10 waste-to-energy plants, 11 composting plants/digesters and 6 selection plants. Marche Multiservizi manages two landfills and one biostabilization plant. Herambiente also holds a 50% stake in Enomondo which operates a biomass plant. From 1 July 2015 the two waste-to-energy plants in Padova and Trieste were acquired by Herambiente, a company controlled by Hestambiente. 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.

In 2015 saw the Herambiente area of operation in terms of plants increased due to a series of major acquisitions:

- the acquisition of Waste Recycling in Tuscany, a company active in the treatment and recovery of solid and liquid industrial waste;
- the acquisition of the business unit of Geonova Spa that includes two landfills, one in the province of Verona and one in the province of Treviso, that handle the disposal of special hazardous and non-hazardous waste. The business unit that was acquired also included a storage facility for hazardous and non-hazardous waste in the province of Treviso;
- the insourcing of energy recovery activities from landfill biogas both through the acquisition of the Biogas 2015 company, and through a lease of a business branch of Romagna Energia Impianti, and by building new energy recovery plants.

Main waste treatment plant improvement measures

Notably, in 2015, design progressed on the Sant'Agata Bolognese biomethane plant, its authorization process has started and the vendor the anaerobic digestion system has been identified. Work is also in progress to identify the details of connection to the network and the use of tankers for transportation of the biomethane produced. See the case study on the project in this chapter.

Below is a summary of some of the main environmental measures which were either completed at the end of 2015 or are still in progress. These 10 measures are worth over Euro 65 million. Among the plants managed by the Group we outline the realization of the 4th batch of Tre Monti landfill (Imola), of which Con.Ami, the owner of the consortium, is in charge.

Main waste treatment plant extension/improvement measures

Plant	Progress as at 31 December 2015	Type of measure	Environmental benefits expected/obtained
S. Agata Bolognese (BO) composting plant	Construction progress	in Addition of an anaerobic section to produce bi methane	Biomethane production from separate waste collection (approx. 6.3 million m ³ /year and 20,000 t of compost expected)
Street sweeping waste recovery plant	Planning stage	New street sweeping waste recovery plant	Recovery of inert material portion of collected waste.
Rimini and Modena selection plants	Planning stage	Implementation of a treatment and recovery system on the glass line	Increase of recovery of materials
Tre Monti - Imola landfill	Construction progress	in Development of a new biogas recovery system	New system to increase the energy recovery of biogas
Cà Lucio landfill - Pesaro	Completed	Development of a leachate treatment plant (reverse osmosis)	Reduction of leachate transportation determining lower vehicle atmospheric emissions
Il Pago landfill - Firenzuola	Construction progress	in Development of a new biogas recovery system	New system to increase the energy recovery of biogas
Ravenna landfill	Completed	Construction of new landfill sector (sector 8, subsector 2)	Disposal capacity expansion
Ravenna landfill	Authorized	Construction of new landfill sector (sector 9)	Disposal capacity expansion
Landfill Il Pago	Design	Construction of new landfill sector	Disposal capacity expansion
Cà Lucio landfill	Construction progress	in Construction of new landfill sector	Disposal capacity expansion

With regard to the disposal plants operated by the Group, the Tre Monti landfill located in the Imola area was expanded. Two projects are being planned to increase available volumes that do not involve investments by Herambiente:

- the first concerns making use of volume that has only partly been used in lot 3, in progress (since the actual waste compaction factor was found to be higher than planned and, therefore, the authorized limit by weight has been reached, but not the limit by volume) and further volume which could be achieved by increasing the landfill's height. This project would add an additional 375,000 t to the current lot 3, making it possible to use the landfill until the expansion in the contiguous ravine is ready.
- The second project is the construction of a new lot (called lot 4) in the ravine contiguous to the existing landfill, providing 1.5 million tonnes of usable volume.

For both projects, which also include the construction of two new 1,065 kWe biogas engines, Herambiente and CONAMI are co-sponsors respectively as operator and owner. The increase of the landfill's height, which does not require investments, was designed by Herambiente while the design and construction of lot 4 will be handled by CONAMI.

Concerning these two projects, in August 2015 the request to start the EIA procedure (Environmental Impact Assessment) was filed for both projects. The request was integrated with the procedures for:

- Integrated Environmental Authorisation (IEA) for a material change pursuant to art. 29 ter of Legislative Decree 152/2006 and of Regional Law 21/04;
- unification of the IEAs issued to Herambiente governing operation of the "Tre Monti" landfill that make up the "Tre Monti" multifunction waste treatment sector;
- application for joint authorisation to generate electricity from renewable sources (Art. 12 of Legislative Decree 387/2003) "Biogas fuelled electricity generating plant associated with expansion of the "Tre Monti" landfill in the Imola (BO) municipality and the Riolo Terme (RA) municipality and related works for connection to the distribution grid."

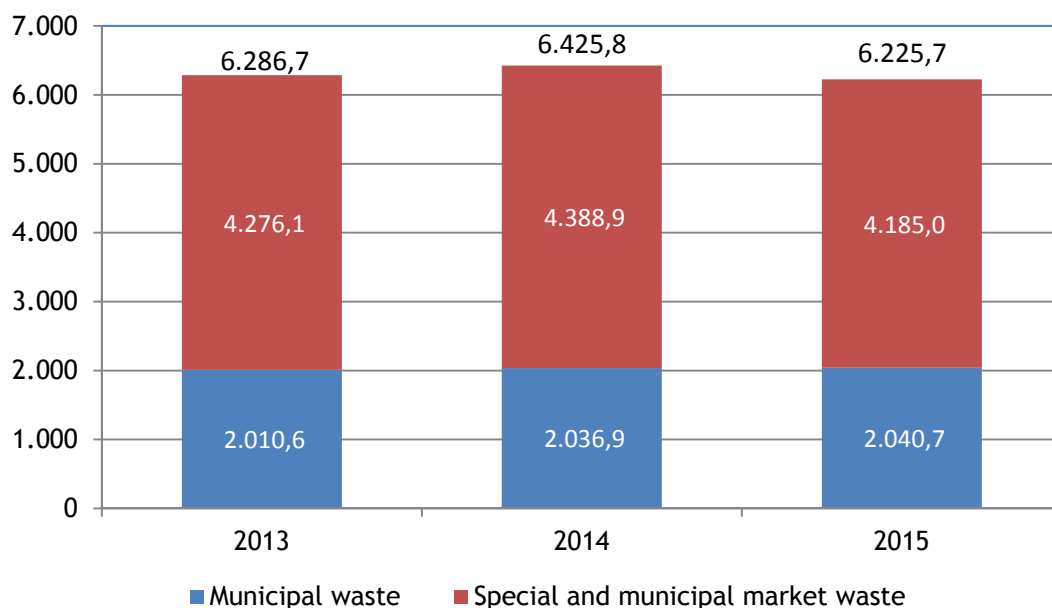
The authorization process is underway. After the local authorities planning conference, in November 2015 a public inquiry was held to gather information knowledge and grounds for decision. On 24 December 2015 the Emilia Romagna Region authorities sent the request to provide complete supporting documentation (including the public comments that were formalized under the procedure) and on 4 March 2016 the further documentation was delivered. The main topics addressed in responses to comments relate to the impact of odours produced, to how the leachate would be handled and the traffic of vehicles bringing waste to the landfill.

A material change of the Integrated Environmental Authorisation was granted for the landfill at Ravenna NP km 2.6 on 30 December 2015 for it to be extended by building a 9th sector providing a volume of about 1 million m³.

For the Forlì and Ferrara waste to energy plants, the competent authorities decided to not allow saturation of the heat load as required by article 35(3) of the so-called Sblocca Italia decree (Legislative Decree 133/2014 converted into law by law No. 166/2014).

The Ferrara plant was allowed to dispose of municipal waste from other regions up to the maximum the total quantity of 142,000 tonnes/year subject to specific and documented request by the competent authorities. The Integrated Environmental Authorisation for the Pozzilli facility was also issued, replacing the previous sectoral authorization.

Waste disposed of by type



Municipal and special waste disposed of, by plant type

thousands of t	2013	2014	2015
Selection plants	378.1	445.6	432.7
Waste-to-energy plants and biomass plants	1,410.6	1,402.4	1,390.3
Compost and stabilisation plants	527.8	478.3	455.3
Landfill	1,252.2	1,137.3	918.5
Stabilisation, and chemical and physical treatment	1,094.3	1,182.3	1,141.6
Third party plants/Other plants	1,623.7	1,779.9	1,887.2
Total	6,286.7	6,425.8	6,225.7

The data refer to plant inflow waste. Duplication may therefore be included. Some of the waste treated in selection plants, for example, may be disposed of in landfills following selection. The outgoing waste from plants which has therefore been included among the final use plants was subtracted from the quantities treated in the separation plants.

The reduction of waste treated in the chemical and physical treatment plants (-3.4% or 40 thousand tonnes) is due to the reduction of the quantities treated in the Lugo facility. Treatment in composting plants fell 4.8% as a result of the Sant'Agata Bolognese plant ceasing operation to be transformed into a biomethane production plant.

Smaller quantities of waste were disposed of in landfills (-19.2% compared to 2014 due to lower quantities disposed of in Finale Emilia, Lugo and Sant'Agata Bolognese).

The selection plants treat waste from separate collection to recover as much material as possible or the waste by reducing the use of landfills. These systems recover: paper/cardboard, plastic, wood, metal, glass, biodegradable waste (pruning), tires, textiles, inert materials. The non-reusable fractions can be used for energy recovery or disposed of.

The optical waste identification system is now fully operational in the Herambiente facilities. As of 2015 five plants are equipped with this new technology. The optical reader uses visible light and infrared sensors to identify the various types of materials which are then separated using a jet of compressed air. Optical identification of incoming waste makes the sorting process up to 3 times quicker and more accurate, yielding higher percentages of recovered material. The main advantages of the new system include rewarding the general public's effort to separate their waste for collection, and returning higher quality recycled waste to the market.

In 2015 Herambiente's selection and recovery plants handled 363,166 tonnes of waste, recovering over 66% of the total. The amount of material recovered in these plants has increased by 6% over 2014.

Selection plants yields

%	2014	2015
Bologna	65.5%	58.0%
Coriano (RN)	67.1%	73.2%
Ferrara	56.2%	73.3%
Lugo (Ravenna)	63.9%	71.3%
Modena	50.0%	57.2%
Mordano (BO)	61.5%	67.5%
Total	60.1%	66.4%

Recovery plant qualification for the waste-to-energy plants of Bologna, Modena, Ferrara and Rimini

Directive 2008/98/EC, implemented in Italy by Legislative Decree 205/2010, introduces a criterion to calculate energy efficiency which makes it possible to classify a municipal 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 to calculate energy efficiency.

The formula provided by Directive 2008/98/EC is, in fact, an index of performance. Therefore it does not match the plant performance calculated using the classical thermodynamic criteria, but is an indicator of energy recovery capacity aimed at comparing different plants.

In addition, pursuant to Italian Ministerial Decree of 7 August 2013, a "climatic factor" was added to the formula to account for the climate type of the plant's location. This factor was added to offset climate-related effects both on electricity production and on the quantity of unused heat produced; in fact, the energy performance of plants located in countries with warm climates are "physiologically" lower than those of plants located in colder areas. As well reflecting the quality of the investments made over the years to upgrade the plants to use the best available techniques, the status of "recovery plant" also makes it possible to attribute to the plant a role of primary importance in the waste management system.

In fact, while the municipal waste to be disposed of is subject to the "principle of self-sufficiency in the water and waste regulatory area (ATO)", the municipal waste to be recovered is subject to the "principle of proximity", meaning that it can be sent to the nearest recovery plant, not necessarily located in the same ATO it is in.

After having determined compliance with the energy efficiency criterion, as set by the regulation, the authorisation that governs its activities (Integrated Environmental Authorisation) must be modified so that an incineration plant can be operated as a recovery plant. These changes to the authorisation are not substantial since they do not increase the plant's potential nor change to previously authorised emission levels.

All recovery plants operated by the Herambiente Group operate as R1 recovery plants with the exception of the Ravenna special waste plant.

Recently the Community framework further investigated the matter and the correction coefficient for the climatic factor was reduced from 1.38 to 1.25 with a new decision of the Ministry of Environment which transposed European Commission Directive 2015/127. Even with this new forecast the Herambiente group's plants maintain the R1 qualification acquired previously.

This network of plants makes it possible to manage the flows of unseparated municipal waste beyond the so-called municipal-derived waste in the regional area, in the event of a shutdown of the reference plant, this waste can be sent, either in full or in part, to the closest energy recovery plant, thus limiting the use of landfills and, in this way, pursuing the goals set by European and national regulations as regards the hierarchy of waste treatment.

For example, with regard to the unseparated municipal waste collected in the area of the Province of Rimini, if there were a shutdown at the Coriano (Rimini) plant or the quantities of waste produced exceeded its treatment capacity - as often occurs during peak tourism periods, for example - the waste would be sent to the closest available plants (e.g. Ravenna) for energy recovery and no longer disposed of at landfills.

Concerning the performance assessment of in terms of efficiency, there are two "structural" aspects. The first concerns the process related to the conversion of energy released by the combustion of waste, the second to the external users that can make productive use of the waste heat generated by the combustion. In the first case, the assessment is plant related: the heat generated by combustion of the waste is used to produce steam, and depending on its characteristics (pressure and temperature) achieves different performance of the steam turbine, (the higher the temperature of the steam, the greater the efficiency of the cycle). The choice to opt for more or less advanced solutions takes into account not only performance but also economic factors (for example, to work with steam temperatures particular attention must be paid to the issue of acid corrosion of the pipes in which the steam flows, which increases costs due to a greater thickness of the pipes or due to coating them with materials such as Inconel, effective against corrosion but very expensive) and management factors (for example, work in more critical conditions may result in the need to increase both the duration and the frequency of ordinary and extraordinary maintenance).

In the second case, finally, it is necessary to capability of recovering the waste heat produced by the combustion processes. The greater the ability to recover this waste by users outside the waste-to-energy plant, the greater the efficiency of the plant, also in terms of the R1 index.

Lastly, with regard to the systemic benefits at national level, it is important to note that energy recovery of municipal waste, no longer subject to limitations in terms of its circulation in regional/provincial areas, also to enact article 35 of the "Sbocca Italia" regulation, 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 led to initiating many infringement proceedings against the country.

The waste export practice has also negatively impacted the balance of payments since the VAT was obviously paid in the countries receiving the waste rather than in Italy.

The “Sblocca Italia” Decree and the new legislation on waste disposal

Art. 35 of Legislative Decree 133/2014, converted, with amendments, into Law 164/2014, the so-called “Sblocca Italia” law, aims to develop a suitable, integrated system at national level to manage municipal waste and to meet the separate waste collection and recycling goals.

This objective is also aimed at guaranteeing national safety in terms of self-sufficiency and, as a result, circumventing and preventing additional violations due to failure to comply with European regulations in the sector. One of its key aims is to reduce 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, was applied in December 2014 due to the ongoing non-compliance with the European Directive of the authorisations of 198 landfills in Italy.

The Ministry for the Environment, jointly with the Regional Authorities is currently defining, the Decree of the President of the Council of Ministers which will implement the principles and objectives of art. 35 by identifying waste-to-energy needs for macro areas of the national territory and the related critical issues.

Thanks to the important investments made in particular 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 municipal waste;
- Regional municipal waste;
- any municipal waste from outside the region according to the resolutions of the relevant bodies;
- Non-hazardous special waste until saturation of residual heat load.

It should be noted that in December the local authorities in Forlì and the Region signed a specific agreement for the management of municipal waste in the Forlì waste-to-energy plant to which municipal waste is sent only from regional catchment area only in respect of the planning being approved.

Special waste: similar-to-municipal waste, hazardous and non-hazardous

When one talks about waste, household rubbish immediately comes to mind. However, in reality, household rubbish does not even represent 20% of all waste produced.

Indeed, in Italy, where over 160 million tonnes of waste is produced a year, around 130 million is special waste, i.e. waste generated by production activities, while around 30 million tonnes are municipal waste. In Emilia-Romagna, out of around 11 million tonnes of waste produced in total, around 3 million are municipal 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 way it must be treated, by law.

In fact, municipal 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-set by the planning authorities. Conversely, special waste must be disposed of by its producer and therefore companies use the operators that best cater to their needs, also economically speaking.

Special waste is therefore often transported quite far from where it is actually produced: to other provinces, other regions or even abroad. Over the years, this lower visibility, often coupled with a smaller degree of traceability, has been reflected in strategic planning deficiencies with regard to disposal plants, and unfortunately this tends to lead to illegal forms of disposal, which for years has swelled the coffers of the so-called environmental mafia.

The Ecomafia 2015 report put together by Legambiente highlights increasing numbers of violations related to the waste cycle (+26% compared to 2013). The majority of crimes recorded (over 50%) once again took place in the four regions with a traditional mafia presence, with Puglia leading the way (4,499 violations) ahead of Sicily (3,797), Campania (3,725) and Calabria (2,715).

Urban and special waste production by province (2013)

thousands of t	Municipal waste	Non-hazardous special waste	Hazardous special waste	Total special waste	Total waste
Modena	443	1,683	88	1,771	2,214
Bologna	553	1,140	162	1,302	1,855
Ferrara	238	644	54	698	936
Ravenna	299	1,197	172	1,369	1,668
Forlì-Cesena	288	575	39	613	901
Rimini	259	244	76	320	579
<i>Total of provinces in Hera's operating area</i>	2,080	5,481	592	6,073	8,153
Piacenza	183	312	114	426	610
Parma	243	624	35	659	902
Reggio Emilia	390	920	51	971	1,361
Total Emilia-Romagna Region	2,896	7,338	792	8,129	11,026

Source: Arpa processing of data from MUD, taken from RER Arpa - The management of waste in Emilia-Romagna - Report 2013-14.

Waste classification

Under Italian law, waste is classified on the basis of the place it was generated (home or production environment) and not on its physical, chemical or product-related characteristics.

Legislative Decree 152/2006 classifies waste as urban or special on the basis of its origin, and, only downstream of this initial classification, according to its level of hazardousness, as hazardous or non-hazardous.

Municipal waste is household waste (inclusive of bulky waste) produced by homes, waste from cleaning streets and other public places, plant 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

municipal waste is non-hazardous special waste originating in premises and places not used for dwelling, that is similar to municipal waste in terms of quality and quantity according to the Municipal Regulations (or according to the regulations of supra-municipal authorities - Atesir) on the basis of the general guidelines set by the State; this waste is special in terms of origin but, after being ruled similar-to-municipal, it is handled (collected or disposed of) together with domestic municipal waste and subject to the corresponding tariffs or taxes.

Special waste is waste from agricultural, construction, artisanal, industrial, sanitary, commercial and services activities, waste coming from waste recovery and disposal activities (therefore also the waste coming from treatment of non-separated municipal waste), water treatment sludge, mining or decontamination.

Waste is classified as hazardous or non-hazardous depending on the substances it contains. Hazardous municipal waste is made up of domestic waste that contains levels of pollutants or toxic substances such that they have to be disposed of in special plants (e.g. pharmaceuticals and batteries). Hazardous special waste is generated by production activities and contains the aforementioned pollutants or toxic substances. The line between municipal waste and special waste is therefore set by the regulations defined by national law and applied at local level.

Each municipality can apply its own criteria to define what waste can be considered similar-to-municipal, for waste coming from production, commercial and tertiary activities. The more waste that is similar-to-municipal, the less special waste is left to be handled by the private sector with the risk of lower levels of control and traceability. In the areas served by the Hera Group, and in Emilia-Romagna in general, there is a high level of production of similar-to-municipal waste: the waste handled by the public service is estimated to comprise 50% waste of domestic origin and 50% waste of non-household origin, i.e. similar-to-municipal special waste. It is also estimated that there are around 1.5 million tonnes of similar-to-municipal special waste that due to its characteristics (i.e. non-hazardous) is not processed as similar-to-municipal because it is produced by a single manufacturer in quantities above the set limit. Unlike the method used in Italy, in Europe the classification of waste is more directly related to its level hazardousness and to the type of treatment it undergoes.

	Non-hazardous waste	Hazardous waste
Municipal waste	Domestic waste (dry and organic) Waste from the cleaning of streets and other public places Waste similar to-municipal 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 (from construction and demolition businesses) Commercial and industrial packaging Plastics and glass processing waste Artisanal and industrial Coming from waste recovery and disposal operations, including municipal waste	Petrochemical and pharmaceutical production waste Metallic waste Sludge from reclamation activities Used oils Medical and veterinary research waste

The special waste supply chain at Hera

At Hera, the flow of special waste treatment is highly structured given the variable nature of this waste that comes from industry, from the treatment of wastewater, from construction, from the commercial and services sector, and from the healthcare sector. Herambiente has approximately 20 plants exclusively equipped for the disposal of special waste, with over 4 million tonnes handled in 2015 (including sub-products coming from Group plant activities).

There are disposal limits that are defined, plant by plant, by provincial authorisations or by integrated environmental authorisations.

Waste produced by Hera

In 2015, excluding AcegasApsAmga, the Group produced around 2.3 million tonnes of waste. The amount of waste produced by waste-to-energy plants (slag, particulate and solid waste from stabilisation) are stable at comparable area of operations. The amount of waste from landfills and chemical-physical-biological plants is decreasing.

Main types of waste produced by Hera

thousands of t	2013	2014	2015
Sludge from water treatment, potable water treatment and distribution	118	114	116
Sand from treatment plants	19	15	16
Ash from treatment sludge incineration	4	4	3
Other sludge produced by the Territorial Operating Structures (sewer cleaning, septic tanks, etc.)	3	5	5
Other waste produced by Territorial Operating Structures	3	3	4
Waste-to-energy plant electrofilter particulates	45	42	47
Waste-to-energy plant waste	207	197	230
Solid waste from stabilisation	62	65	44

thousands of t	2013	2014	2015
Sludge produced by chemical-physical-biological plants	62	78	61
Sludge treatment water	612	625	616
Separated oils produced by chemical-physical-biological plants	1	1	1
Surnatant from chemical-physical-biological plants	120	109	106
Leachate from landfills	778	683	633
Scavenging water/sludge from waste-to-energy plant fumes	44	42	48
Non-reusable fractions from selection plants and to produce fuel from waste	222	287	284
Other waste from Herambiente storage and plants	38	28	38
Total	2,338	2,299	2,252

The data refer to Hera Spa, Herambiente, FEA, Marche Multiservizi.

Recovery of waste-to-energy 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 “gondola”-type systems to extract combustion waste, make it possible to have waste with a very low quantity of unburned matter and low 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 2015, the 10 waste-to-energy plants operated by the Group for the disposal of municipal waste produced 256,024 tonnes of waste, equal to 29% of the waste treated at these plants. 82% of the waste produced was recovered while the remaining 17.7% was disposed of at landfills. The waste produced by the Herambiente plants and to be disposed of was sent to the landfills operated by ASA Bologna and 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 secondary 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” special protection area. At these two plants, in order to protect biodiversity, Hera carries out acute toxicity tests. In the 2005-2015 period, these tests showed that the water disposed of had no toxicity.

Hera’s waste disposal plants, which are being upgraded and newly built, are subject to the Environmental Impact Assessment procedure. For those located near protected areas (generally within 5 km distance), Herambiente performs an incidence assessment, which is a sort of evaluation of specific environmental impact for the peculiarities and natural abundance in the protected areas. The Superintendence for Cultural Heritage, the Parks Department and the Emilia-Romagna Region analyse these assessments, prescribing mitigation measures aimed at reducing any impact and protecting the biodiversity of the indigenous plant and animal species.

An assessment of incidence was prepared in 2015 as part of the project to expand the Baricella (BO) landfill. That facility adjoins the site of EU Conservation Area and Special Protection Area called called biotopes and the environmental restoration areas of Budrio and Minerbio which are part of Rete Natura 2000.

Together with the authorization documentation, a project for the environmental renovation of the landfill was also presented which aims to reduce the environmental impact of the plant by means of mitigation measures within the plant complex and in the surrounding area.

In this case the project involves environmental reclamation measures, to be implemented in stages, that in addition to mitigating the landfill's impact on the landscape consist in creating a wildlife protection oasis and nature use educational area. The area where the landfill in question is located is, indeed, full of dense hydrographic networks and humid habitats (the latter recently formed and produced by mankind) that represent elements typical of this area, once characterized by swampy areas.

The new environmental renovation plan involves the construction, alongside the existing stormwater storage basin, of a second storage basin and extending the existing basin to retrain both basins, creating real wetlands that mimic the surrounding area.

Creating wetlands is aimed at maintaining and enhancing the areas identity, while mitigating the Baricella landfill's impact on the environment and on the landscaping and completing what has already been planned and largely achieved by Herambiente in the area jointly with the competent authorities. The addition of ponds free of emergent vegetation are planned around the perimeter of the wetlands, in order to create a natural obstacle to land-based predators. The variable depth of the basins also allows the right habitat for several species of birds (diving ducks, dabbling ducks, egrets, herons and shorebirds), amphibians such as the crested newt and the Italian tree frog, invertebrates and fish (tench, pike and roach).

Further additions include, within the pond, islands completely devoid of vegetation and islands with tree species such as *Quercus palustris*, *Salix penedera*, *Salix viminalis*, *Salix purpurea*, etc. on which resident or migratory birds such as Great White Egret, Knight of Italy, Little Bittern, Purple Heron, Marsh Harrier, Terns, and Kingfishers may find optimum conditions for nesting.

The initiatives for the local community

Communication

Social and environmental communication

In 2015 Hera Group's social and environmental communication was aimed largely at promoting good separate waste collection behaviour. The most important campaign encouraged citizens to collect glass separately, to eliminate the reluctance linked to the widespread belief of having to prepare the material prior to separating it: hence the creative idea of the advertising campaign *We want as you are*. In fact, it is not necessary to wash the glass packaging prior to having it collected separately. The glass will be treated in any case and made suitable for recycling.

The campaign started in the of Cesena district in November 2015 and will be extended to the rest of Hera's operating area in 2016. The campaign has been scheduled to appear on waste collection vehicles, on the radio and on an advertising card.

Environmental communication activity was carried out throughout the area served, to provide the local communities with the necessary information on changes to or reorganisations of the collection service, for touristic customers and providing guides for separate waste collection.

In 2015 the campaign *Eliminate your bill. Give a tree to your city*, campaign terminated. It had explained the good reasons to switch from paper-based to on-line billing. Hera had already achieved its goal of 100 thousand people switching to on-line billing 2014, about two years earlier than expected. Therefore, the project was relaunched in 2015, to address customers who had not yet chosen the electronic billing, pointing out the values that inspired Hera: efficiency, innovation, affinity with the area and sustainability.

Another important communication campaign continued in 2015 to inform about the major change in Bologna's city centre. Waste disposal bins and igloo bins for glass have been eliminated, and door-to-door collection of non-separated waste has been extended. The project's most substantial measure is the creation of about 140 underground drop-off points by 2016 for the collection of glass/cans and organic waste: this creates a collection infrastructure that is unique by extension, widespread coverage and technological innovation.

The Hera Group reaffirmed its commitment to innovation and sustainability also by extending the Electric Road - *prova oggi la mobilità di domani* (Electric road - try tomorrow's transportation today) competition. The initiative has stimulated the search for solutions to make electric transportation a concrete and viable option. First customers in Modena, and then customers in Imola in March 2015 were given an electric vehicle to use for three months, completely free-of-charge. In both cities, where the multiutility company also manages the power grid, the 12 winners approached the world of sustainable transportation with a total of six cars. The competition ended in May 2015.

Hera on the Internet

Year after year, Hera continues its efforts to provide timely and up-to-date digital communication, consistent with the transparency expectations of all of its stakeholders and with the intention of improving the effectiveness of information and optimizing the flow of activities, guided by the company's environmental vocation. Its informative style is adapted from time to time to the interests of the specific stakeholders: customers, shareholders, local communities, and students.

Two years after the launch of the Group's new website, traffic and views have increased, with a significant shift to mobile. The increase was from 17% in 2013 to 36% in 2015. With this in mind, some sections of the Group's website have been revised and improved both in terms of layout and of usability, providing a clearer and simpler organization of its content. These include the new "energy efficiency and white certificates" area, the section for consumer groups, the "About us" section, enriched with new videos and infographics. The channel dedicated to schools was completely renovated, adding new areas for families and teachers (about 134,000 views in one year).

The "Il Rifiutologo (Wasteologist)", app for the waste management area has been enhanced further, increasing the detailed information on collection for each municipality, adding barcode reading functionality to facilitate the user's separation and garbage disposal, and integrating environmental reporting with the Hergoambiente platform whereby users can receive directly on their smartphones (via push notification) information concerning acceptance of requests and resolution of reports.

Herambiente created the new website to enhance the access to content, adding more detailed information on the plants and related documents and certifications. Work has also been done to present the commercial offers better.

In the field of energy, Hera Servizi Energia that deals with services and consulting to optimize the efficiency and comfort of buildings, created a new website that presents services addressed to companies, condominiums and public administrations, clearly and in detail, and provides information concerning applicable laws, sustainability and energy efficiency. Both sites were made in accordance with the latest innovation and quality standards (responsive web design).

Website access

N	2013	2014	2015
Customers section	53,983	49,913	51,310
Section on Corporate Social Responsibility, sustainability reporting and CSR initiatives	10,159	7,820	9,329
Suppliers section	9,559	8,536	8,181
Investor Relations Section	2,721	2,886	3,002
Other sections	73,505	86,763	112,728
Total average monthly visits	149,927	155,918	184,550
Total page views (monthly)	505,746	518,043	602,743
Total unique visitors (monthly)	107,526	101,318	116,776

Excluding AcegasApsAmga and Marche Multiservizi

Many initiatives were started during 2015, to highlight and increase awareness of our most interesting projects: four new stories were published, three on environmental matters and one on the project to "double the Santa Giustina treatment plant as part of the Seawater Protection Plan", a new issue of Dossier Energia on "The new frontiers of the free energy market", a new report "The value of Energy", in addition to traditional reports *Sulle tracce dei rifiuti* (tracking waste) which had 8000 views in two months and *"In good water"*.

A Datacenter section was added to the Sustainability Report section, to provide all the fundamental indicators on sustainability performance the Group has achieved over the past twelve years. The HeraLab project's channel was also expanded,

adding a section containing new proposals and local initiatives and a section focusing on the results obtained. Lastly, the second edition of the "Give a tree" campaign was launched with a new website and a new goal: 50,000 pledges that will lead to planting 1,000 trees in the participating municipalities (over 21,000 views).

What is Hera's presence on the web?

Again in 2015, the figures on the on-line grapevine emphasized 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 its users and monitors the contents they generate. In 2015, a total of 7,233 posts that mentioned Hera were analysed, a figure higher with respect to last year (+756 posts). The Group's visibility on blogs and social networks (Facebook and Twitter) is rising, while it has gone down on forums and on YouTube.

Hera's presence on the web 2.0 stands this year for quite favourable reviews, an improvement compared to 2014 on all sources analysed. Visibility of the "quality of service" category increased, positively associated with switching to on-line billing, providing useful information to customers and publishing the "In Good Waters" report. The Environmental Services area also increased visibility, in relation to the "Il Rifiutologo (Wasteologist)", app, to the separate waste collection services, door-to-door collection services and the renewal of roadside bins. The negativity related to protests against the waste-to-energy plants and expansion of the Imola landfill were less visible.

In the Corporate area, a positive impact was provided by profits, the presentation of the Sustainability Report, the educational initiatives and the Group's support to local events, while minor critical issues are related to the discussions on amendments to the Group's Articles of Association, to the fine imposed by the Italian Antitrust Authority in November 2015, (see paragraph "Relations with regulatory and supervisory authorities") and to the debate on waste management in the Forlì area.

Environmental education

For several years the Hera Group has been promoting many 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 2014-2015 school year consensus improved further for the "La Grande Macchina del Mondo (The Great Engine of the World)" project, that proves how that project, and Hera itself, have become consolidated reference points in the world of education. Teachers are increasingly interested in teaching material that Hera provides, and make it a significant portion of their educational programming. This occurs in all age groups, from kindergartens to higher education for which we provide the "Pozzo di scienza (Science well)" initiative.

Our contests, in which winners could go to visit the Milan Expo, or discover the natural beauty of the Po delta were very popular. In another contest, a check to buy teaching materials went to the winner's school.

Environmental education projects

N	2013	2014	2015
Schools involved	1,029	992	1,181
Participating students	66,696	65,675	78,127
Teachers involved	3,849	5,087	6,098

The remarkable results achieved are the result of continuing the competitions regarding primary schools. Inclusion of workshops on issues that to date had not been addressed in depth was a winning choice (e.g. sea life and how plastic affects this ecosystem). For colleges, the choice of dealing with food under the title "Fooding: train your mind to feed yourself better" in the year of the Milan Expo, helped create further interest by associating food with the management of the global resources linked to it.

All the educational initiatives took advantage of the collaboration of Cooperatives, Environmental Education Centres and Foundations which work on scientific culture and education and were sponsored by the Regional Education Authority.

Within AcegasApsAmga 25 new activities were carried out in 2015, mainly focused on the water cycle, on waste management and marginally on energy. In accordance with the objectives stated in the 2014 Sustainability Report, the educational activities "Un pozzo di scienza" (Science Well) and "La Grande Macchina del mondo" (The Great Engine of the World) were extended to the AcegasApsAmga areas. "Un pozzo di scienza", aimed at secondary schools, involved 7 schools and 725 students. In the year of EXPO 2015, the project wanted to contribute to the discussion of major food-related issues but also of management of the global resources linked to it. In the same year the extension of the educational activities related to Hera's "La Grande Macchina del mondo" was extended to schools in the municipalities served by AcegasApsAmga. The educational activities were planned for the beginning of 2016.

Marche Multiservizi has continued its intense collaborative relation with schools to help new generations learn to respect the environment and use resources responsibly. The projects mainly covered the visits to the Falconara recycling centre and to the Montecchio collection centre.

Media relations

The press office manages Hera Group's communication on the local, regional and national news media. This work is accomplished by continuously drawing attention to the company's many initiatives and achievements and to the events that it organizes, both by publishing press releases and by organizing press conferences. This effort complements, in parallel, the promotion of the Group's activities with in-depth interviews with management on specific issues, and by providing, at the request of journalists, information, photographs and videos related to the services provided and to the company's many business areas. The press office also promptly answers letters from citizens, reacts to statements in the media of opinion leaders, public administrators and politicians, countering any critical positions against the company or its services, and provides a direct line, through the press, for local communities and customers. These activities are carried out in collaboration with all the company's structures and with all the Group's companies. Lastly, the office handles relations with the press offices of public and private institutions, associations or third parties to promote joint activities.

A quarterly qualitative and quantitative analysis has been set up to gauge this daily work. It is carried out by a specialised third party, which monitors national and local

press. All the articles are weighted according to specific criteria, such as the circulation of the publication, the size of the article, the position on the page, the presence of photographs or lack thereof. The pieces are then grouped according to their tone: positive, neutral, or critical.

Hera-related news items (national press review)

%	2013	2014	2015
Favourable or highly favourable articles	96.3%	85.9%	92.6%
Neutral articles	3.4%	10.3%	4.4%
Critical or extremely critical articles	0.2%	3.8%	3.0%
Total articles (No.)	447	438	273

Hera-related news items (local press review)

%	2013	2014	2015
Favourable or highly favourable articles	72.6%	67.0%	73.7%
Neutral articles	17.6%	22.1%	16.7%
Critical or extremely critical articles	9.8%	10.9%	9.6%
Total articles (No.)	6,872	6,797	7,534

Thanks to the work done, in 2015 Hera's visibility of in the press increased over the previous year. In total, in fact, over 7,800 articles were published (+8%). The large number of articles shows that the Group is now firmly involved in the national and local dynamics, for specific or background issues. For example, in the debate on the utility aggregation process, especially after the AcegasApsAmga deal and the recent acquisitions of Geo Nova and Waste Recycling. Qualitatively, the positivity concerning Hera has increased compared to the previous year, reaching high levels: 93% on national publications and 74% on local publications. The topics that helped determine the positive results include: financial reports, sustainability including the report and thematic reports on waste, water and energy efficiency, the outcome of the seawater protection plan in Rimini including the inauguration of the new Santa Giustina treatment plant, the start of work on the Servola treatment plant in Trieste, the investments in human resources and in the younger generations, the dual-training school-work programs, the broad educational offer for schools (also extended to the northeastern area), the enhancement of environmental services and the innovations brought by HergoAmbiente, the new functions of the Rifiutologo app, Hera Comm's new bill, and the cultural sponsorships inside and outside the area.

In general, the trend of critical articles has been stable for years at a very low level, around 3% for the national press and at 10% for local press: a result that is particularly significant given the nature of the Group's activities and the sensitivity of public opinion. Some negativity in local media concerned some controversies involving the Group, often not directly related to Hera. Among these we note the protests triggered by Government's Sblocca Italia Decree, the choice to form an in-house company for waste management in Forlì and the expansion of the Imola landfill. Other negative articles focused on the fine imposed by the Italian Antitrust Authority on Hera Comm and on other operators in the free market, on waste-related problem reports, and on some errors in the billing process that occurred in the Triveneto area.

Sponsorships and donations

Concern of the area also means supporting excellence that is capable of stimulating social and cultural growth, to achieve an overall improvement in the quality of people's lives. Embracing this message and through careful recognition of the most important elements in the cultural landscape, Hera Group continues to identify and reward significant partnerships that are capable of catching the interest of the territory and stimulating its growth, fostering positive relationships and promoting the proactive role of the Group in the areas it serves.

Sponsorships

thousands of Euro	2013	2014	2015
Recreational activities	255	398	74
Culture	1,145	978	1,111
Sports	1,349	1,025	552
Social	70	104	378
Environmental	155	92	99
Other	20	42	144
Total	2,994	2,639	2,358
<i>of which to the areas served by Hera</i>	<i>2,874</i>	<i>2,623</i>	<i>2,289</i>
<i>of which to areas not served by Hera</i>	<i>120</i>	<i>16</i>	<i>69</i>

In 2015 Hera contributed to over 200 initiatives including art, music, cinema, theatre, sports and the environment. Hera's commitment towards its partners result in an effort to systematically build broad-based projects, capable not only of delivering high profile artistic content but also of making them accessible and useful to everyone. In this context, the cultural proposal assumes an important role, combining quality and the general public: in the era of social media, cinema, theatre and exhibitions become content engines and events accessible to a wider audience of followers.

Culture is art. One of our most significant partnerships in terms of turnout, was the "Boldini, the show of modernity" exhibit, held at the Musei San Domenico of Forlì in the first half of the year and that attracted over 125,000 visitors from all of Italy. Worthy of note is also the collaboration with the RavennAntica Foundation which has made it possible, over the years, to return to the admiration of the public the "Genius of the waters" mosaic, today finally recovered, restored and exhibited at TAMO, after it was discovered during an excavation for the construction of an underground drop-off point. Public and clients were also welcomed at over 10 exhibits held at the ninth edition of "Bilbolbul", the international comic strip festival of which Hera is the main partner. The collaboration made it possible for us to enrich the program of the exhibit with that of the well-known Illustrator Maja Celja, hosted exceptionally between November and December at Hera's Bologna public branch office. "La Grande Macchina del Mondo (The Great Engine of the World)" is the title of the exhibit, where we exhibited the original drawings for the communication campaign of the Group's educational projects spanning the past three years, linking the business's core areas - water, environment, and energy - with an artist's fresh, fantastic and dreamy view. The International Museum of ceramics in Faenza partnered with Hera, opened its doors and developed activities for all ages aimed at promoting awareness of this rich historical and artistic heritage.

Noteworthy is the fifth edition of the "Bologna - A Civilised and Beautiful City", the initiative committed to recognizing and rewarding projects than are activated to

preserve the common heritage of Bologna and its province. The 2015 Edition was renewed radically with the formula "START UP Bologna": the jury not only awarded the ongoing local preservation initiatives, under the work in progress section, but also sought new ideas to improve the city, startup plans for the area, innovative projects to enhance the spaces of citizens and of the community and project to protect its special places and the environment. A different environment, the work environment, was the topic that inspired the collaboration with SiFest in Savignano sul Rubicone, the famous photo contest that in the Edition entitled "Abiti e abitudini, costumi e costume" ("Clothing and habits, manners and customs") was attended by Hera through the eyes of employees. Alongside the famous shots of the competing artists, there was space for the photos of employees who expressed their viewpoint with pictures of people, places, times and daily gestures that are not just simple habits, but the DNA that enriches Hera Group's history day by day.

Access to culture and support for the area are evident concepts also thanks to the Group's commitment to SalaBorsa, the library in Bologna which thanks to Hera's support can now extend its opening hours in the winter, and also stay open to all on Sundays.

This is also the intent of Herambiente's donation to the Pozzilli (Isernia) municipality, home to one of the Group's plants. The measures initiated will make it possible to complete the construction of the school complex, a new facility for the total benefit of the families in the area.

Culture is theatre. Interest in the International Festival Internazionale del Teatro in Piazza (International Festival of Outdoor Theatre) held every July in Santarcangelo di Romagna has been re-kindled. Boosted by Hera's support, the Festival has been able to gain a leading role, at international level, ranking among the most significant experiences of experimental theatre. This has led, in 2015, to winning a prestigious award: the Santarcangelo Festival was the only organization in Italy and one of the top 12 in Europe, to win the EFFE Awards, an award promoted by the European Commission and by the EFA (European Festivals Association) and assigned to the best among over 1,000 European festivals of every kind and artistic type. Among the theatrical seasons, special mention goes to the new collaboration with the Teatro Comunale di Bologna. In particular, Hera supported two famous titles: Elektra and Elisir d'amore. Collaboration with the Teatro Comunale has helped it further amplify the concept of usability, and provided the opportunity for many customers to attend the rehearsals of the two works.

Hera has also helped the most important events of Romagna's art season by supporting reviews which, in the city as in its province, can thus schedule high quality shows and artists. For instance, it is worth mentioning the partnership with the Teatro Rossini in Lugo, with the Rete dei Teatri della Valmarecchia in the Rimini area, with the season of the Teatro Mentore di Santa Sofia in the upper Cesena area and with the Teatro Comunale di Ferrara. The commitment in the Ferrara area has also brought us to again be the sole sponsor for Festebà, the theatre festival for young people in Ferrara that in 2015 reached its ninth 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. In the Modena area, notable initiatives include the commemoration of 80 years since the birth of Maestro Luciano Pavarotti, and the unveiling of a series dedicated to the famous tenor: from 4 September at the Teatro Comunale in Modena an exhibition of his stage costumes, then from 6 September in Piazza Grande a show full of contributions and testimonials of famous artists, ending on 12 October with a concert in his honor directed by Maestro Riccardo Muti. The Group also confirmed its presence at Festivalfilosofia,

which has, among others, supported two exhibition-events of great significance: "Fueros" by Franco Guerzoni and "Riprese" by Carlo Mattioli.

Culture is music. Every year Hera identifies the concert seasons of great excellence, of interest to a broad range of audiences. Among these, the Bologna Festival and the "I grandi interpreti (The great performers)" exhibition, the Musica Insieme foundation and the Ravenna Festival, the prestigious exhibition that in 2015 also due to Herambiente's strong support, staged its 26th edition, celebrating the 750th anniversary of the birth of Dante Alighieri. Herambiente considered it important to support the Ravenna Festival and be part of the success of one of the most prestigious and acclaimed festivals of performing arts at a European level: from symphonic to chamber music, from opera to theatre, from dance to ethnic music for a varied and diverse audience. Renewed interest also for the Bologna Jazz Festival, which celebrated its 10th edition with a full calendar of very popular concerts with the best musicians in the world of jazz. These events are joined by the Porretta Soul Festival and Crossroads, with a good 50 jazz concerts that in just three months have reached around 20 cities in the area served by Hera. Partnership also with the Ferrara Buskers Festival, an international festival of street musicians; with the Verucchio Music Festival that for its 31st Edition confirmed the participation of maestro Ludovico Einaudi and celebrates the event with first-rate musicians on the international scene, and with Acieloaperto one of the leading summer events in the world of live music. The third edition drew 10,000 people to 7 events located in Rocca Malatestiana, the new Teatro Carisport of Cesena and Villa Torlonia at San Mauro Pascoli.

Culture is cinema. Cinema was again a key partnership area for the Group, once again supporting authoritative collaboration capable of furthering the inherent value by means of reviews and festivals. 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. The interest for motion pictures is also confirmed by the support for events in other territories, like Cesena with "Piazze di cinema", Imola, with "Rassegne itineranti" and Bologna with Sala Bio, which on an experimental basis in 2015 also started off in Modena and Rimini, where the previews organised throughout the year were fully sold out.

Culture is knowledge of the local area. In the year of the Expo, many areas wanted to celebrate the gastronomic vocation of their D.O.P. and I.G.P. products. Among these, the company contributed to: "I Giardini del Gusto" in Modena and "Al Mèni" in Rimini, events that have created an ideal bridge between Emilia and Romagna, along the Via Emilia, embracing the gastronomic culture and the products of a territory that Hera already reaches every day by the provision of its services. The "Piacere Modena- I giardini del gusto" initiative was a 135 day long non-stop series of 425 events - almost all free - which involved a transversal audience with celebrities, show cooking, performances, lectures, exhibitions, films and concerts. The "Al Mèni" event in Rimini had a completely different taste to it: a veritable circus of flavors, thanks to the traditional dishes revisited by world renowned chefs with highest quality local products and an exquisite selection of the best local arts and crafts. The highlight of the event was world-famous Chef Massimo Bottura of Modena.

In the field of sports, Hera confirmed its collaboration with the second RiminiMarathon which in spring brought to Romagna over 4,000 athletes and many families from all over the peninsula. They all helped to finance charitable activities.

Sports as wellbeing and a driver for solidarity are messages launched years ago also by two other events: Diabetes Marathon, to support the activities of the Diabetics Association of Forlì, and Marathon for Alzheimer's which takes place between Cesena and Cesenatico and is aimed at supporting the activities of the "Amici di Casa Insieme" association that takes care of people suffering from Alzheimer's disease. Collaboration with GS Emilia continued in 2015 for a great classic Italian cycling race: the "Coppi-Bartali". In the Imola area, Hera supported the efforts of the under 15 and under 19 teams of the Andrea Costa Imola Basketball association, taking the athletes of the first team to schools in the area via the "Basket nelle scuole" (Basketball in schools) project, aimed at teaching good waste disposal habits among new generations. Lastly, the Group was involved in the projects of two teams on the local rugby scene, supporting the Rugby Bologna 1928 youth team and the Sei Regioni Tournament, organised by the Romagna Rugby association, headed by the Cesena Rugby team and dedicated to the under 14, under 16 and under 18 teams from some Italian regions.

The partnerships set up throughout the area served were further enhanced by attentive provision of the services. In these initiatives, Hera's commitment also included environmental sustainability through separate waste collection projects, which are useful to convey concepts of sustainability and environmental awareness, even when "partying". This sensitivity is evident especially in the Trashware project, an initiative sponsored by Hera for the sixth consecutive year, in collaboration with the Cesena municipality and the Bertinoro S.P.R.L. Te Student Association, which made it possible to prevent older PCs from become unnecessarily becoming waste, by donating the recovered materials to groups or individuals in need. In many initiatives, in addition, the Company provided distribution of fresh water by installing mobile Urban Sources. This activity has allowed us to deliver and distribute free to all audiences, in 2015 alone, over 21,500 litres of controlled and sustainable water from the mains, and to avoid the circulation of over 43,000 plastic bottles, to the advantage of the area, the environment and the citizens.

During 2015, also Hera Comm, a Hera Group company, confirmed its strategy of investing in important partnerships in the areas it is expanding into commercially, in order to strengthen the Group's presence and to strengthen its relationship with customers. Here are the main ones.

Sferisterio Opera Festival, 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 lasts two months and also includes a White Night. all-night opening (Night of the Opera), attracts national interest and a composite public mainly originating from the Marche region. Hera Comm was also a partner of the Preview of the Festival, a concert in the largest room of the Frasassi caves, linked to the non-profit association "Il Filo d'Oro" in Ancona linked to with collecting commercial leads and collecting donations for the Association.

Flower Show, Perugia, Ancona, Arezzo. National nursery gardening show in collaboration with the Department of Agriculture of the University of Perugia and Ancona. The initiative is aimed at raising knowledge and awareness of the ecosystems and providing courses for gardening fans who are thereby encouraged to contribute, even in urban areas, by caring for their balconies or gardens. During the event, a high-quality compost product from HerAmbiente's composting plant in Ozzano was distributed as a give-away. Hera Comm promoted initiatives such as "the launch of the butterflies" and events aimed at communicating the best practices for a sustainable system.

Fondazione Toscanini, Parma. In 2015 a partnership was started with the Fondazione Toscanini of Parma, home to the ORER (Orchestra Regionale dell'Emilia Romagna) the fourth most important Italian orchestra. The collaboration as main sponsor ensured broad visibility and made it possible to organize various activities throughout the year, such as press conferences at the Hera Comm Point of Parma for the presentation of the Foundation's events. In particular Hera organizes the projects "Adopt a musician", to support young musical talents, and "Tu chiamale se vuoi emozioni" (Call them emotions if you wish) an educational project aimed at schools. The projects were designed to education and disseminate musical culture among young people.

Lastly, in 2015 we started, as an experiment, a collaboration with the ARCI of Reggio Emilia which concerned the summer film and concerts festivals (Branduardi, Fiorella Mannoia, Francesco De Gregori in spring and Paolo Conte in November) at the Teatro "Valli". As part of the collaboration, Hera promoted the support of two projects of the CePam music school run by the ARCI, one aimed at boys and girls with disabilities and one for young musical talents.

Donations

(thousands of Euro)	2013	2014	2015
Recreational activities	10	23	20
Culture	41	20	100
Sports	30	10	9
Social	94	52	100
Environmental	11	5	58
Other	153	20	23
Total	339	131	310
<i>of which to the areas served by Hera</i>	<i>287</i>	<i>120</i>	<i>299</i>
<i>of which to areas not served by Hera</i>	<i>52</i>	<i>11</i>	<i>11</i>

Donations represent a further opportunity for supporting the area, by means of which Hera actively supports the weakest social categories.

With a view to this, once again in 2015, the multi-utility renewed its membership in organizations and associations involved in both the prevention of diseases (via scientific research) and assistance for the ill. Notable among these is the donation to the Bellaria Hospital of Bologna, which made it possible to equip the Colon Unit with new furnishings. This is the facility that cares for citizens who must have prevention exams and/or therapy on colon cancer. The area will also become a meeting and training place for both healthcare professionals and for citizens themselves.

Renewed support was also provided to Fondazione ANT (Associazione Nazionale per lo studio e la cura dei Tumori), for at-home support to terminal ill persons and to 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 Cesena-based Fondazione Romagna Solidale 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 healthcare, disabilities, care for the elderly, training for youngsters. This activity was given visibility also by means of the support provided to the activities of Associazione La Macina, an 1800's farmhouse

located just outside of Ravenna. The location, thanks to the Letizia Association Onlus non profit association, has become an important meeting and support point for mothers in difficulty, who meet there daily with disabled children or because they can't reconcile family needs with their work. By sharing their space and time, they find a valuable aid both for practical activities (such as lunch or support for homework) and for preparation of events or training courses.

The multi-utility company directed part of its charitable donations to the culture sector, as well. For example, the Associazione Muse, involved in promoting 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". In 2015, the Group allocated resources to the library of the Gramsci Foundation which is specialized, amongst other aspects, in the history of thought and social movements, which includes 90,000 publications. The contribution is intended to strengthen and qualify the "reference" service offered, particularly in the field of communication, providing suitable tools for students, researchers and foreign readers.

On the subject of donations, the HeraSolidale initiative launched in 2014 continued in 2015. Under this initiative, workers of the group support nine associations (one for each area) by monthly donations directly from their paychecks. Hera has matched the amounts donated by workers. See the case study in the Employees chapter.

In 2015, in compliance with its own Code of Ethics, Hera did not make contributions of any kind to any party or politician.

Associations of which Hera is a member

The Hera Group is present at the highest levels of the organisations which represent the system of local public services, particular in Utilitalia, created in June 2015 to unite and strengthen 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. 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 to promote social responsibility) and of the Associazione Aziende Modenesi per la Responsabilità Sociale.

More dialogue and feedback with HeraLAB

LAB is the acronym of Local Advisory Board. Our LABs are the means that Hera provides to the areas in which it operates as structured channels for listening to, and discussing with local communities. The participants of the HeraLABs get together 4 to 6 times a year to discuss the local needs and propose initiatives aimed at enhancing the sustainability of the services offered by the company. Launched experimentally in 2013 in the Ravenna and Imola-Faenza areas, the project was extended, in 2014, to Rimini, Ferrara and Bologna and in 2015 to the Modena area. In just over six months the Modena HeraLAB held 3 ordinary meetings and one in-depth discussion on "Innovation and smart cities". The LAB, consisting of 11 participants,

including representatives of the University of Modena, Confindustria, CNA and other well-known companies, is currently planning the initiatives that will be submitted to Hera for approval, as per HeraLAB regulations.

Sixty-nine stakeholder representatives participate in the 6 active Labs. In 2015, 18 ordinary meetings were held, besides 4 in-depth discussion meetings.

In 2015, 17 initiatives were started, 8 of which have already been completed (15 altogether in 2014-15). Among these are:

- **Olga: close to users in need.** The initiative aims to support the users in need, which are having trouble paying their bills, to encourage and structure communication between the company and Social Services (ASP) of the Municipality of Ferrara so as to prevent the suspension of the services in the event of unpaid invoices. In particular, a protocol was signed which provides terms and conditions to grant payments by means of instalment plans that have lower interest rates than those more commonly available, tools to identify the parties to support by the collaborative arrangements under the protocol, periodic checkups involving the manager and social services regarding the progress of arrears and organization of workshops aimed at providing know-how to social services on how to promote forms of savings on consumption for the households being supported.
- **Tracking waste... for a day.** The initiative involved students of the Liceo Classico "Alighieri" of Ravenna to learn more on the separate waste collection cycle, from collection to sending it to the recycling plant. In particular, 14 boys and girls, having followed around and filmed a Hera technician in his daily environmental services activities, produced a special news video at a studio, on a set created with waste materials, starring as conductors, and aired the videos they shot and, between a one and another, announced the results of Hera Group's waste materials recovery in 2014.
- **Recyclers Save!** This initiative was designed to raise awareness among citizens of the Rimini province by sending them a report on the reduction that they could obtain on the Tari tax, by carrying out proper garbage collection at the drop-off points. The flyer, sent to about 100,000 users and sent directly with bills during September and December 2015, included the list of discounts, decided by each municipality, that could be obtained for each different type of separated material taken to drop-off points.
- **Summing up waste.** Sustainable waste management in view of the recent changes in legislation and technology. This conference was held on 5 October at the Rimini Conference Centre, was and organized by the Department of Industrial Chemistry "Toso Montanari" and the Campus of the University of Bologna, Rimini. Its objective was to meet the demand for a clear and comprehensive picture, for the resident population and for whoever lives in the Rimini area, on how actually solid waste was managed, what technologies have been implemented, what environmental impacts it had, where it stands on a national and international level, and what the future strategies are.
- **"Let's charge up! Discovering energy"** In collaboration with the Palestra della Scienza (Science Gym) of Faenza, the project developed, an exhibit on the production, distribution and use of energy in its various forms, by building an interactive workshop that hosted approximately 1,500 visitors

involving primary and secondary 25 schools. In particular, the event, held from 11 to 26 April at the Palazzo delle Esposizioni involved the construction of 12 learning workshops curated by the CNR, a theatrical performance "Let there be light", which was sold out and an evening public lecture on "Energy from biomass, back to the future", which was attended by about 70 people.

Initiatives such as the following ones have been designed and approved:

- Application of the concept of accessibility in the waste management system and related activities. Developed with the dual goal of making all of Hera's waste collection initiatives clear to all and to make available to all the equipment needed for proper waste collection, the project involves on the one hand, the preparation of materials translated into several languages, to distribute in areas where foreign citizens live, to improve their knowledge of the services active in their areas, on the other hand, the preparation of "guidelines" containing measures for the protection of persons with disabilities and victims of discrimination. The aim is to present them to Atersir to take them into account during the preparation of the upcoming calls for tender relating to environmental services.
- In step with the times. Creation, on Hera's website, of a section dedicated to energy efficiency, to explain the new regulations governing individual heat metering, identify the agreements with banks to bear the costs of installation, provide advice to reduce home consumption, and give information on the energy efficiency services provided by the company.
- FarmacoAmico. Extend the FarmacoAmico project which had already started in Bologna, to the rest of the Bologna area. In cooperation with the municipality, Last Minute Market and ANT, this is an initiative to intercept medicines are no longer being used by private citizens and that have not yet expired, before they become waste, thus setting up building of "alternative supply chains" for the reuse of medicines.
- Bologna Green Welcome. Promotion of the "Wasteologist" app and production of multilingual information material that shows how to dispose of waste for each individual district, targeted at new citizens, particularly with regard to new foreign residents and students. The material will be distributed by the municipal offices to new citizens when they apply for residence.
- The company step by step. Designed as a response to the requests of two LABs that had suggested to launch an invitation to tender to identify and support the best ideas/startups in the area, related to environmental sustainability, we organized an event called "Hera Innovation Day", which was held on 11 February 2016. At the event, 13 local start-ups presented their projects to Hera's management, helping our company get acquainted with the world of small businesses in the technology fields in our community, in order to encourage mutual understanding and possible collaboration.

Pending legal proceedings

In addition to the lawsuits involving customers, suppliers and public administration which are discussed in the corresponding sections of this report, at the end of 2014 there were 223 pending disputes involving various issues concerning claims for compensation connected to the management of the services provided by Hera. In

particular, with respect to that category of disputes, it should be noted that in 2015 Hera Spa brought litigation against 133 insolvent customers relating to gas supply disconnection (customers of a number of sellers who contracted delivery points on the company's distribution network) subject to administrative termination as governed by the Integrated Gas Delinquency Document and additional AEEGSI legislation. Of these, 99 were completed in the year 2015.

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 Court of Appeal. At the hearing before the Court of Appeal of Bologna of 14 July 2015, granting the respondent's request, the Court ordered a new expert's report on the time the explosion occurred and the details thereof. To date, expert investigations are in progress.

By means of petition brought before the Emilia-Romagna Regional Administrative Court against ATO-BO, Atersir and vis-à-vis Hera Spa 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 Spa 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 Spa appeared before the court disputing the aforementioned 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 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 hazardous, 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. Twentyseven civil parties had brought action in the proceedings, private citizens, environmentalist associations and public Bodies. Furthermore, summons for the civil liability of Hera Spa and Herambiente Spa has

been served. On 22 October 2012, Hera Spa and Herambiente Spa were excluded from the proceedings and consequently from any liability. On 6 December 2012, the Judge acquitted all those charged with the offences respectively ascribed to them, 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 a fourth appeal, brought 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 Spain 2007 and then replaced by the IEA of 2008. The appeal was rejected by the Regional Administrative Court with ruling 21/2010. Subsequently, in 2010 the WWF challenged the first level ruling before the Council of State and Hera Spa duly appeared in the aforesaid appeal. The date of the pertinent hearing is to be scheduled.

Public Administration

Hera guarantees the highest levels of integrity and honesty in its relationships with public administration.

Integrity in relationships with the Public Administration

Hera is committed to ensuring the highest levels of integrity and honesty in its relationships with the Public Administration. As a result, 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. The model includes 25 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. AcegasApsAmga, AcegasAps Service, EstEnergy, Sinergie and Marche Multiservizi each have their own “Modello 231”.

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

As at 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.

In 2015 the area managers attended over 800 meetings with mayors of the areas served and received 3,250 requests. In numerical terms, reports focused mainly on the issues concerning the waste management service (22% of all the requests; this is the most challenging type of request not only quantitatively but also qualitatively), the sewage and water treatment (19%), and the water network (16%). Less common are issues relating to general business topics (11%), commercial relationships (8%) and technical matters with clients (8%).

A customer satisfaction survey was also carried out in 2015 to gauge how satisfied mayors were with their relationship with Hera. The survey was carried out by means of 21 individual interviews and confirmed the appreciation of the relationship model we introduced in 2014 and that has proven to be capable of creating a solid and stable relationship channel. In particular, the survey recognized the figure of a clearly identified and single point of contact, and the work of the area managers has been appreciated since it has been found to help to troubleshoot and solve problems that occur in the area.

The relations model set up with municipal authorities has also proven to be effective during critical events. While handling the emergency linked to heavy snow that occurred in February 2015 and that led to the disruption of electrical power and water services in the provinces of Modena and Bologna, the area managers attended the emergency management meetings. This commitment was also appreciated by the AEEGSI, which emphasized this aspect in its final report on the analysis of the management of this emergency by three distribution companies (resolution 644/2015/E/eel).

Relations with regulatory and supervisory authorities

During 2015, there were 25 warnings, 1 more than in 2014. These warnings mainly concern disputes raised by the supervisory bodies, concerning violations of the requirements laid down by Legislative Decree 152/2006 - the Consolidated Environmental Law - and mainly concern the Integrated Water Service and the observance of the regulations contained in the authorisation deeds. The fulfilments required by the supervisory bodies were met in relation to the receipt of these notifications and none was challenged before the competent authorities. In addition, it should be noted that the audits concerning the two warnings on health and safety at work ended favourably, declaring the proper operation of the safety devices that they examined.

In 2015, 158 administrative sanctions were inflicted, primarily for environmental violations. These violation disputes, raised by the supervisory bodies, refer to violations of requirements laid down by Legislative Decree 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 180 thousand.

In November 2015 the Italian Antitrust Authority ordered Hera Comm to pay a fine of Euro 366,000 for breaches of the Consumer Code regarding the procedures used to conclude contracts with customers. According to the Authority, Hera Comm, along with other companies in the sector, entered into some contracts without the express consent of the consumer or using methods that were detrimental to the consumer's freedom of choice, due to not providing sufficient information about the offers and

on the details of the contracts. In particular, the fine concerns some contracts concluded over the phone and via sales agents, accused of pressuring consumers and preventing them from making an informed and unconditioned choice. During the proceedings the companies affected advanced proposals for improving the procedures, which consist for example in making the contractual documentation available to the consumer before the customer is committed and making a second phone call to check the consumer's consent. Also, Hera Comm has taken steps to challenge the sanction measure at the Regional Administrative Court of Lazio.

In the same year AcegasApsAmga was sent 5 warnings which all concern breaches of the requirements laid down by Legislative Decree 152/2006, the Consolidated Environmental Law, related to exceeding the legal parameters or those laid down in the authorizations to operate treatment plants. AcegasApsAmga complied with all the warnings, as required by the authorities and presented written defence briefs. The proceedings are in progress.

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.

At the end of 2015 the processes started by AEEGSI during the 2014/2015 period were completed. They concerned the governance of water service contracts, the standard agreement for the relationship between awarding body and service managers as well as tariff adjustment for the second four-year period: 2016-2019.

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.

With reference to the preliminary investigation that was closed (VIS 39/2011) due to failure to comply with the obligations to replace the cast iron pipelines with hemp and lead joints, after completing, in 2014, our commitment to rapidly replace them entirely in the Ferrara distribution system, we are now going ahead with our commitment to inspect the entire hemp and lead joint and asbestos cement network that will involve the complete replacement thereof as per the timescales set by the Regulation of the Quality of the Gas Distribution Service (RQDG).

At the beginning of January 2016, the Council of State upheld the appeal of the AEEGSI against the October 2014 ruling by which the Lombardy Regional Administrative Court had annulled the gas distribution tariffs for the year 2013. The ruling of the Regional Administrative Court had upheld at first instance the recourse

of Hera Spa and others in the industry against resolution 436/2012, with which the Authority had extended to 2013 the gas distribution tariff provisions related to the 2009-2012 regulatory period. The judges of the Regional Administrative Court had criticized AEEGSI's decision to set as a reference, to identify the yield of risk-free activities, the average rates of return of Italian multi-year government securities, a timeframe different from the one immediately prior to the resolution, as had always been done in the past. However, the judges of the Council of State expressed a different opinion, deeming that AEEGSI's choices could be considered a technical discretionary assessment typical of specialist governance decisions and therefore the Regional Administrative Court had confused the level of technical complexity with that of motivational deficiency.

With resolution 644/2015/E/eel the Italian Authority for electricity, gas and the water system (AEEGSI) concluded its consultation initiated by resolution 96/2015/E/eel concerning the power outages that occurred in early February 2015 in Emilia Romagna and Lombardy due to an exceptional snowfall. In the proceeding the emergency management operations of Hera Spa and of other operators was investigated in depth. The AEEGSI recognized the compliance of Hera's operating procedures and Contingency Plan with the requirements of the regulations and technical legislation of the sector.

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, no final report has yet been published.

In 2015, the Group was involved in two inspections by the AEEGSI: the first was held at Hera Comm and concerned the process of updating the customer data lists to be used to grant advantageous rates for energy customers; the second inspection to check the compliance of a producer of electricity from renewable sources connected to the medium voltage electricity grid at Imola, so Hera Spa was involved in the role of distributor for the area. Neither inspection to date has had any subsequent outcome.

In 2015 the AEEGSI did not raise any fines against Hera.

Separation between the regulated activities and the deregulated activities in electricity and gas services

The legislation on functional unbundling plays a key role in the reform of the energy sector, since it aims to separate the management of regulated activities from free ones, promoting the development of competition.

In particular, the rules for functional unbundling, governed first by AEEG resolution 11/2007, in force until June 22, 2015, and then by AEEGSI resolution 296/2015/R/com, set the requirements for vertically integrated companies that operate in the sectors of electricity and natural gas:

- 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 regulations, Hera Spa set up the Independent Operator for 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 2015 steps were taken:

- to continue the implementation of the “Unbundling project within the sphere of information systems” for the adaptation of the management processes and separation of the databases containing commercially sensitive information, whose completion is envisaged for the first half of 2016;
- to adopt the procedure for handling intercompany contracts subject to the unbundling rules.

due to the reform of the functional unbundling requirements implemented by AEEGSI by resolution 296/2015 /R/com, to approve the new Consolidated Functional Unbundling Law (TIUF), during 2015 the Compliance Program adopted was also updated, adapting the content to the new provision, with particular reference to additional requirements concerning:

- appointment of a Compliance officer;
- identification and management of information concerning the distribution activities, including those not commercially sensitive;
- the separation of the brand and of communication policies between sales and distribution.

Also in consideration of the reform under the Consolidated Functional Unbundling Law and to ensure compliance with the legislation in force, Hera Spa's Board of Directors, with deliberation of July 22, 2015, approved the formation of a new company called INRETE Distribuzione Energia Spa, to which it will transfer Hera Spa's electricity and natural gas distribution activities within Emilia-Romagna. The full operation of the new company, wholly owned by Hera Spa, is scheduled for 1 July 2016.

Litigation

A number of litigation proceedings are reported vis-à-vis the Public Administration Authorities.

By means of an appeal presented to the Regional Administrative Court of Emilia-Romagna, Herambiente Spa challenged decision 251 of 20 September 2011 of the Ferrara Provincial Council concerning the “Decision regarding the screening procedure to produce 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 proves that the request to replace the ancillary fuel used by the plant (natural 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 251 dated 20 September 2011, ruled that the project be subject to IEA. The date of the pertinent hearing is yet to be scheduled.

By means of appeal to the Emilia-Romagna Regional Administrative Court, filed in 2014, Herambiente Spa challenged Rimini Provincial Authority's provision 1168 dated 4 December 2013 concerning the portion on prescriptions which define the territorial origin of the non-separated municipal 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 date of the pertinent hearing is yet to be scheduled.

By means of an appeal filed in 2014 before the Emilia Romagna Regional Administrative Court against the Emilia-Romagna Regional Authority and against Atersir, Herambiente requested the cancellation of the Emilia-Romagna Regional Authority's Decision 380 dated 24 March 2014, containing "Amendments to the Regional Authority Decision 135/13 - Provisions concerning the definition, and handling of the increase limit, of the fee for the disposal of municipal waste". Resolution 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 generate electricity from renewable sources. The date of the pertinent hearing is yet to be scheduled.

By means of appeal filed in 2015 by Herambiente before the Emilia Romagna Regional Administrative Court against the Emilia-Romagna Regional Authority and against Atersir, the cancellation was requested of the resolution 467 of the Regional Council of the Emilia-Romagna Regional authority dated 27 April 2015, concerning "the criteria to define the fee for the disposal of municipal waste and similar pursuant to art. 16(1) of Regional Law 23 of 2011. The appeal presented object, in particular, to two aspects of resolution no. 467, considered illegitimate, i.e.:

- the erroneous inclusion of revenue from incentives for renewable electricity generation among the amounts to deduct from fees expected;
- the lack of specific mention of taxes among the costs incurred by Herambiente that the contested resolution does not recognize.

The date of the pertinent hearing is yet to be scheduled.

By means of an appeal brought in 2015 before the Regional Administrative Court of Molise against the Molise Region and ARPA Molise, Herambiente sought cancellation of Regional Council Molise's resolution 231 dated 19 May 2015, deemed to severely affect the Herambiente's legal position, which had requested authorization for some non-substantive changes to the Pozzilli waste-to-energy plant. Conversely, the Regional Council adopted the contested resolution requiring the re-evaluation of the process so that the Environmental Protection Service may carry out a thorough analysis investigation, in view of the Integrated Environmental Authorisation (IEA) procedure. Herambiente believes that the measure taken by the Regional Council is unlawful because the variants required are not substantial, as advocated by the Administration, so it asked the administrative to cancel the contested measure. The date of the pertinent hearing is yet to be scheduled.

By means of an appeal, and addition of further grounds, filed in 2015 before the Regional Administrative Court of the Molise region against Regione Molise, ARPA Molise, the Province of Isernia, the Pozzilli municipality and other bodies, Herambiente Spa sought cancellation of the Integrated Environmental Authorisation concerning the Pozzilli waste-to energy plant. In particular, the request to cancel the IEA is limited to those parts where:

- It sets a reduction of emission thresholds versus the authorization previously in force and versus the values set by the technical standards in relation to best available technologies;
- sets the maximum quantity of waste that may be conferred to the plant in tonnes/year instead of in terms of thermal load saturation;

- does not merge the waste admitted to treatment in the system with those under the CER Code 19.12.12;
- does not allow the installation of a shredder for waste fuel. The date of the pertinent hearing is yet to be scheduled.

With distinct appeals in 2015 before the Regional Administrative Court of Emilia Romagna against Atersir, and against Hera Spa as other party, the Sassuolo municipality, on the one hand, and the Maranello, Fiorano and Formigine municipalities, on the other hand, have sought cancellation of Area Council Resolution 6/2015, issued on June 10, 2015, containing the "Economic and Financial Plan for 2015". The municipalities that are applicants include the Sassuolo municipality, which, in addition to the above resolution, appealed against the Local Council of Modena's decision 3/2015 of 13 April 2015 and every other prerequisite and consequential measure. The municipalities that filed the application complained, mainly, of the lack of discussion to agree on the Economic-Financial Plan, that the cost elements therein were expressed in an aggregated form instead showing the unit cost of services for each entry and the alleged unjustified increase of the costs of the service for municipal and similar-to-municipal waste. Hera Spa appeared before the court disputing what had been claimed in fact and law by the municipalities that filed the application. The date of the pertinent hearing is yet to be scheduled.

Case Studies for the Environment and Future Generations

Energy efficiency

The bio-refinery that produces natural gas from waste

In 2015 final design ended and the authorization process started for the construction of an anaerobic digestion section and of a biogas purification system to produce biomethane from the organic waste treated in the Sant'Agata Bolognese (BO) composting plant. The authorization phase is expected to be completed before the end of the third quarter of 2016.

In 2015 the technical choices and designs were completed, while the tenders for civil works will be completed in the first half of 2016 for the biodigester and for the purification system for the biogas produced.

The biodigester will be able to process 100 thousand tonnes per year of organic waste from separate collection and starting in 2018 it will produce about 6.3 million m³ per year of biomethane and about 20,000 tonnes of compost. The total investment, estimated at just under Euro 30 million, is intended to improve the environmental balance in terms of lower CO₂ compared to traditional composting and to do so thanks to the production of a renewable energy source: in fact the biomethane can be fed into the gas networks, after the regulatory process, or used as fuels for vehicles instead of fossil fuels.

The new cogeneration plant in the Barca district in Bologna

The operation consists in a renewal of the current Cogen cogeneration plant, serving the district heating network Cogen-Barca in the area west of Bologna.

The work on the plant requires the replacement and upgrade of the existing combined cycle unit with two Centrax gas turbines that generate 3.5 MWe/6.8MWt each, the enhancement of the thermal integration power plant by reusing the existing three 2.3 MW boilers, installing an additional 4 MW boiler and adding a fifth boiler to provide an additional 4 MW.

The project involves the demolition of prefabricated reinforced concrete portion of the existing building that will be rebuilt to comply with the current seismic

regulations and enlarge it as required by the size of the new plant. The building will be reused after having demolished the top floor in order to integrate it more closely with the intended use of the neighbouring residential area.

The progress of procurement of goods and services required for the completion of the work is essentially in line with the timing of the project. The turbines are scheduled to be turned on in September 2016 while delivery of thermal energy to the network should start in mid-October of the same year.

Smart poles integrate public lighting and fibre

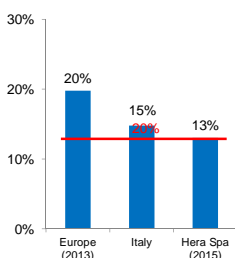
The Group's intention to enhance the companies public lighting assets and fibre optic connectivity led to a development plan, stating in 2015, that involves equipping current lampposts with new features: intelligent cameras, Wi-Fi hot-spots, environmental pollution sensors, radio frequency identification readers and sensors for smart parking. The first prototype of a public lighting "smart pole" came from the idea of integrating Hera Luce's light poles with the Acantho's fibre optic connectivity. The idea was turned into reality after a development phase which identified the "smartest" services and technologies around the world. The prototype was designed, built and installed at the company's Forlì headquarters to validate the new services and then demonstrated in meetings organized with representatives of the public administration. The most interesting areas of application are environmental monitoring and video surveillance with the image analysis: the services integrated into the smart pole may be provided by the public lighting operator without the need to replace existing infrastructure. The project will be completed in 2016 presenting the new proposed solutions to local authorities.

Hera placement towards European targets for 2020

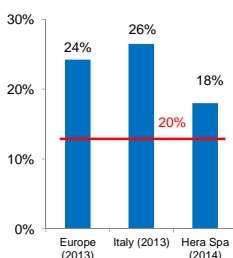
The targets set by the European Union within the 20/20/20 strategy also include targets on reducing greenhouse gases (-20 % compared to the total in 1990) and energy efficiency. The area served by Hera is in line with the objectives of the European strategy in particular for energy efficiency (18 % against the target of 20%). The reduction of greenhouse gas emissions accounts to 13% over the European target of 20%.

European Target 2020 for greenhouse gas and energy efficiency: values in line for Hera Group

GHG reduction
(reduction in emissions compared to 1990 / 1990 emissions)



Energy Efficiency
(reduction in consumption compared to 2020 trend / trend. 2020)



source: Eurostat

Gambettola saves 42% on its electricity bill thanks to LEDs

Hera Luce completed the transformation of Gambettola's public lighting to a 100% LED-based system: energy savings of 42% (75 toe) and 161 less tonnes of CO₂ per year emitted are some of the main results achieved. The contract lasts 15 years and includes laying of three kilometres of new pipes and power lines, and replacing some supporting poles.

Production and distribution of water

Innovative projects in the integrated water service

The energy saving objectives defined in 2015 for the integrated water service determined new measures for energy recovery and consumption optimization projects.

Therefore, starting in 2016 we plan to start work in at least one water treatment plant to install the technologies identified for sewage sludge treatment and process optimization, to maximize production of biogas for energy recovery. Feasibility checks have been carried out for Modena's treatment plant, while studies are underway to determine the estimated maximum amount of biogas that can be produced at the Santa Giustina (RN) plant. In the water networks operated by Hera Spa and AcegasAps, the pressure jumps most promising for energy recovery were studied, to determine the feasibility of installing micro-turbines. Preliminary checks have been completed for the possible installation of a turbine on the Bologna network, at Porta Saragozza. The investment is estimated at less than Euro 300 thousand. Economic and technical assessment is in progress, and if it shows that a positive return is possible, the goal is to install the turbine in 2016. The turbine has a rated output of 32 kW; providing an annual electricity production estimated at 170 MWh.

In 2015, moreover, a prototype-scale plant for pyrolysis and anaerobic digestion was made in collaboration with the Industrial Research Center at the University of Bologna. The tests were run to assess the mass and energy balances of a plant to be built in small scale, producing biomethane from wood, prunings, poultry litter and sludge waste, maximizing energy recovery.

Hera, Iren, and Smat together to improve the Integrated Water Service

On 8 April 2014 Hera, Iren and Smat signed a 5-year partnership agreement to carry out research, innovation and training projects in the sectors and activities connected with the Integrated Water Service.

The framework agreement, signed on 10 November 2014, will govern the activities of the partnership agreement and it identifies the first nine projects to be developed, in three areas:

- potable water treatment 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. These projects 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.

In 2015 the projects entered the operational phase and most of them are expected to end in 2016.

In particular, Hera has the coordination of the following projects:

- Benchmark of advanced purification control systems (subject area: Purification processes and sanitation); the project compares diverse experiences of use of process controllers (mostly of the oxidation stage in activated sludge plants) in order to evaluate their performance in terms of maintaining process results and reducing the plant's energy consumption;
- Managing analytical results from on-line analysers and laboratory management software (subject area: Specialized laboratory analyses, online measurement systems, innovative sensors); the project aims at improving the management of analytical results from measurements in the field by using on-line analysers that can communicate directly with the management software of laboratories, making more efficient use of time and resources;
- Third millennium remote monitoring: guidelines for smart use of data (subject area: Development of remote control systems, expert systems and modelling); the project aims to define the guidelines for building remote control systems that can make full use of the potential of the data they acquire. These guidelines may be used to upgrade existing systems or to implement new systems, identifying the optimal architectures according to the size of the infrastructure to manage, concerns relating to the measurements acquired and operational rules to take into account.

Aside from studying the specific issues of each project, sharing the experiences and approaches allows helps critically analyse the methods used and set up a network of relationships that will surely be very useful even after the end of the projects.

Increasing usage of telepresence

Use of the telepresence service continues to increase within the group, extending the coverage to AcegasApsAmga's area (13 meeting rooms), in 2015. Telepresence has made it possible to optimise the management of meetings, savings travel time, and has been a key tool to rapidly integrate personnel located at multiple sites. At group level, the increase over 2013 was significant: the number of rooms equipped with the service has risen from 37 to 53 and they were used for 3,145 sessions for a total of 3,270 hours (in 2013 there were 1,753 sessions of a total of 2,409 hours).

Restoration of the historic Monte Olivo water station in Rimini

The Coriano water station has been completely renovated. In 2015 work finished on the upgrade to this plant that is strategic for the area, and in which Euro 105 thousand have been invested. The Monte Olivo water station is active during the summer to cope with the increased demand for water, and is used as a reserve in

case of need. Is fundamental for neighbouring cities, for the community of San Patrignano and now also for the Montecolombo and Montescudo municipalities for summer water distribution.

New remote control systems for 23 water systems in Rimini

In 2015, 23 plants along Rimini's water network have been equipped with new technical equipment. An investment of about Euro 98 thousand made it possible to install new to remotely monitor and control the plants, if required, 24/7. The new equipment has been perfectly integrated to the existing structures, refurbishing them and ensuring they perform reliably and efficiently.

Wastewater treatment

Upgrade work at Trieste's Servola water treatment plant

The upgrade of the wastewater treatment plant at Servola (Trieste) is on schedule for the upgrades agreed between the Friuli Venezia Giulia regional authorities and the Ministries for the Environment and Economic Development under a framework agreement used by the Government to avoid the application of sanctions due to failure to implement Directive 91/271/EEC. The reclamation of the entire site on which the new plant is built ended in 2015 were in fact completed; a facility for pumping and washing contaminated groundwater has been installed and is now fully operational, and the complex task of finding a group of companies in charge of preparing the final design of the new facility and ensuring that it is built and commissioned on schedule has been successful.

During the reclamation works some unexpected pollutants were detected during the soil characterization (mainly cyanides and asbestos containing materials) and this caused a slight delay on the schedule. In parallel, the process for finding a grouping of companies had to overcome some litigation, first before the Regional Administrative Court of Friuli Venezia Giulia and then before the Council of State. The defensive line organized by the company's appointed office, helped to minimize further loss of time and achieve the recognition of the full legitimacy of the insolvency proceedings adopted by AcegasApsAmga. Also the procedure for obtaining railroad crossing permits and the procedure to check the design of the earthquake-resistant structures passed the official exam, so as at the end of 2015 we are actually setting up the construction site. As at 31 December 2015, the investment has reached about Euro nine million. The work is expected to be completed in 2018.

The Rimini Seawater Protection Plan

The Optimised Seawater Protection Plan aims to eliminate swimming bans in public waters and reduce the pollution impact measured in COD by 90% by 2020, by 11 measures worth an overall investment of over Euro 154 million.

The plan remains substantially unchanged as regards the main measures compared to the 2014 revision which led to an optimization of measures by taking advantage of synergies and optimized technical solutions. Of note is only the filling of the Ausa canal in the beach stretch, as natural completion of the work on Ausa-Detention Reservoir, portion 1, that was started in 2015 by the shifting the underground services. In any case the refinement and optimization of the plan by using numerical modeling of the infrastructural system is going ahead, to find the best configuration in terms of cost-benefit ratio for the measures planned for the second part of the

project, especially in the south area (detention reservoirs and its connections near the Colonnella I, II and Rodella ditches).

The progress of the work is consistent with the objectives of the project. Two construction sites were closed (sewer decontamination of Isola, and implementation of the first portion of the Dorsale Nord) while works at the Santa Giustina wastewater treatment plant is completed (operational testing is in progress), and 6 construction sites are active at end 2015. The situation of the 11 measures is as follows:

Measure	Progress as at 31 December 2015	Expected/actual year of completion	Motivation/benefits
Doubling of the Santa Giustina wastewater treatment plant	Completed	2015	Treatment improvement process
Conversion of the Rimini Marecchiese plant into a collection tank	Construction in progress (first portion completed)	2016	Treatment improvement process
Construction of the Dorsale Nord for drainage of the Bellaria wastewater treatment plant into the S. Giustina WWTP	Completed	2015	Treatment improvement process
Completion of the separation of sewer networks in the northern area of Rimini	Planning stage (construction of first portion in progress)	2020	Conversion of 5 sewer drains into the sea into rainwater drains (including 2 in 2016)
Construction of the Dorsale Sud	Construction in progress (first portion completed)	2018	Reduction in the number of openings of the AUSA and Colonnella drains into the sea
Completion of the separation in the Roncasso and Pradella basins	-	2020	Conversion of 1 sewer drains into the sea into a rainwater drain
Construction of subsea pipeline and pumping station for the AUSA basin and reservoirs	Tender (AUSA) completed Design in progress (subsea pipeline)	2020	Reduction in the number of openings of the AUSA drains into the sea
Construction of hospital detention reservoir	Construction in progress	2016	Reduction in the number of openings of the Colonnella II drains into the sea
Construction of Colonnella I reservoir and of connecting conduit and of the Rodella reservoir and of connecting conduit	Design in progress (Colonnella reservoir)	2021	Reduction in the number of openings of the Colonnella I, Colonnella II and Rodella drains into the sea
Isola sewer decontamination	Completed	2014	Optimization of the sewer system
Filling the AUSA beach stretch	Work assigned	2016	Improvement of the usability of the area and of its environmental conditions

The completion of the “ISOLA” sewage decontamination work of the Dorsale Nord, of the Santa Giustina wastewater treatment plant and the partial separation of the Rimini Nord networks, still in progress, have made it possible to reap the first environmental benefits, reducing the amounts of COD/BOD disposed of at sea.

The progress of the construction work does not lead us to expect any significant issues and the quantity goals we have set are in sight, so we can expect to stay on schedule.

Efficiency improvement for the Cesenatico wastewater treatment plant

The improvement and upgrade of the Cesenatico wastewater treatment plant had been completed. The work was made possible thanks to a consortium of local businesses, with an investment of over Euro 7 million, funded by Hera. Some extra improvements on sludge loading line, most notably the installation of storage silos, further mitigated odour emission from the sludge loading line.

Towards enhancement of the Cagli Pesaro wastewater treatment plant

Construction of a sewer pumping station and related pressure unit for the Cagli town centre is close to completion. Disposal of the Mattatoio sewage treatment plant and enhancement of the Cagli Capoluogo water treatment plant will follow soon. The enhancement will increase the wastewater treatment capacity from 5,000 to 8,000 population equivalents.

Atmospheric emissions

Studies on the environmental impacts of waste-to-energy plants

Since the 1980s, activities related to the incineration of waste have been the subject of many studies and monitoring, as well as of important technical improvements also related to the introduction of increasingly stringent plant and management criteria by European and Italian legislation. Technology has reached very high performance in terms of reducing emissions and environmental impact.

As a result of the changes 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 in Italy between 1990 and 2011 (Source: Sinanet-Ispira-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 incinerators 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.

Environmental supervision and air quality monitoring projects

According to the Authorisations regarding the waste-to-energy plants in Ferrara, Modena, Forlì and Rimini, the Group must carry out studies on the potential impact that its plants have on the surrounding environment.

In 2008, in accordance with the provisions of the Integrated Environmental Authorisation of the Rimini incinerator, the level of air quality was monitored by Arpa (pre-operational monitoring). This study was designed to determine the quality

of the air in the areas around the incinerator, potentially affected by the plant's emissions. In 2013, with the new line 4 fully functional, the monitoring process was repeated in the same way in order to assess any differences or impacts on air quality that could be attributed to the new plant (post-construction monitoring). The monitoring results have been prepared by the regional agency for prevention and environment of Rimini in 2014 and have been made available in 2015. The study shows that there is no significant impact on air quality, post-construction vs. pre-construction.

In the industrial area in which the Forlì plant is located, Hera has installed a station for monitoring air quality that is run by Arpa Forlì. This station has been operational since 2009, and provides a continuous stream of data that are validated by Arpa and published on their website. Periodical campaigns are also carried out at the station to search for micropollutants and metals in the particulate matter. The results show that there is no substantial difference between a public area and the area around the plant, indicating the presence of a uniform environment, influenced significantly by the town rather than the presence/contribution of the plant. These results were confirmed in 2015, when Arpa Forlì made available the data of the air quality monitoring of the previous year.

For over a decade, environmental monitoring tests have been carried out at the Modena plant on various environmental compartments: air and soil quality, biomonitoring, total depositions. Since 2013 the monitoring network has been operated by the local Arpa, which carries out all the analyses required by the waste-to-energy plant's IEA. In addition, in Modena in accordance with the IEA, a health monitoring study has been ongoing since 2003 to assess health risks for the population that lives near the incinerator and the workers at industrial sites near it. Two reproduction indicators are analysed, teratogenic risk, i.e. congenital malformations, and spontaneous abortion risk. The program ended in 2014 with the processing of the data collected in 2013 and showed no dose-response relationships between exposure and relative risk of miscarriage and birth defects.

Between 2010 and 2012, a genuine environmental and health monitoring protocol was carried out at the Ferrara waste-to-energy plant. Its details were defined by ARPA, AUSL and the Province of Ferrara and it examined a number of environmental compartments. The scientific coordination for these studies was entrusted to institutions with proven experience in the sector (CNR and Universities).

The results of the first study, which concluded in October 2012, confirmed the preliminary evaluations made at the time of the issuing of the Integrated Environmental Authorisation and showed that the contribution of the plant, in terms of air quality, cannot be distinguished from the environment. In the light of the results that have been obtained, a subset of the monitoring has been extended for a second period (2013-2015), that only studies the aspects that are considered most significant: studies of air quality and of pollutants the soil. Air quality monitoring activities ended in early 2015, confirming the results of the two previous years. In particular the study of the soil, repeated in the autumn of 2013, showed no accumulation of metals and micropollutants in the areas surrounding the plant, thereby confirming that the incinerator's emissions cannot be distinguished from the baseline of the environment. In 2015 the guidelines to carry out monitoring in coming years were also agreed with regulators.

The waste-to-energy plant in Padua, in line with the requirements of the "Memorandum of understanding on the assessment of the health impact in the city of Padua and in its metropolitan area" signed by the municipalities of Padua and Noventa Padovana, with Arpav, ULSS 16 of Padua, and the University of Padua was

the subject of an study that was completed in December 2015, with the presentation of the "Report on the pilot project of population health monitoring assisted by ASL 16 of Padua, particularly on potential health effects from air pollution - a longitudinal study in Padua (SLPD)". The conclusions showed on one hand insufficient statistical evidence to identify statistical effects on people's health related to the plant's emissions. In addition, the differential of the concentration estimates (estimated at values to three decimal places) is not compatible with measurable health effects, namely the contribution to background pollution of PM10 particulate emissions from waste-to-energy plants levels appears irrelevant.

Transparency of waste-to-energy plant emissions

Since 2008, it has been possible to consult the previous day's average emission values and "half-hourly averages" (every half hour the online data are updated with the average value recorded over the past 30 minutes) of the Group's waste-to-energy plants on the Group's 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.

Since 2015 the website also provides the data of Padova and Trieste, in the Group's same format (half hour average updated in real time).

Value to Energy: energy saving solutions in all fields

During 2015 the "Value to Energy" report was published, respecting the objective set last year in relation to the publication of a report on energy efficiency. Value to Energy is an annual report on how Hera Spa manages energy, containing, in addition to the results obtained in terms of energy efficiency and the most representative efficiency indices of the business in which Hera operates, the targets set and ongoing projects to reduce energy consumption.

Value to Energy also describes the main energy efficiency projects carried out in collaboration with other companies and a report on the activities carried out for white certificates.

The report has been prepared keeping in line with the graphic layout of the Group's other subject-specific reports. A map shows the main consumption centers, by business and some of the major energy efficiency measures undertaken or planned, highlighting the savings achieved. The map also provides a summary of Hera Spa's ISO 50001 energy improvement, a summary of the Group's activities concerning white certificates and a summary of the energy efficiency measures implemented and planned, by province.

The six paragraphs contain all the information relating to energy management at Hera Spa and the main projects implemented or to be implemented in this area. The 2014 report also devoted a feature article to the issue of public lighting, detailing Hera Luce's main energy efficiency indexes, and to the electric transportation promotion activities carried out during the 2014 including the Electric Road project.

Electric road: tomorrow's transportation is electric!

In early 2015 the "Electric Road" contest was successfully completed, and 12 lucky winners got a chance to test electric transportation and charging services as "pioneers". Overall, by the end of the contest, about 38,000 km had been covered, resulting in a saving of over 9,000 tonnes of CO₂.

At the same time a growing number of owners of electric cars have asked Hera Comm for a recharge card. In 2015 those requests increased by 23, reaching a total of 58. The increase is significant, although it is still a small number of a number of customers in absolute terms.

Also, the use of charging infrastructure during the year has increased greatly. The energy drawn from 23 charging stations installed by Hera in Imola, Modena and Castelnovo Rangone, in fact, amounted to a total of 14 MWh, up 75% compared to 2014.

In 2015, 11 charge points were installed in Trieste and Gorizia.

Marche Multiservizi towards increasingly green transportation

In 2015 Marche Multiservizi started its corporate fleet renewal, adding new vehicles, technologically advanced and in line with EU directives to limit CO₂ emissions into the atmosphere. Renewal was carried out respecting the environmental sustainability principles that are embedded in the company's strategy, and involved 85 obsolete cars: two were replaced with electric cars, 46 were natural gas powered and 37 were Euro 6 diesel powered cars.

Greenhouse gas emissions

Hera leads the Carbon disclosure project

Since 2006 the Hera Group has been a part of the Carbon Disclosure Project (CDP), an independent not-for-profit organization that offers businesses and Countries a way to measure, track, manage and globally share information about climate and water change.

This initiative, which currently holds the largest international database containing information about climate change management policies, aims to raise awareness on the issues of greenhouse gas reduction by analysing the risks and opportunities related to it. Such awareness is increased by filling out a questionnaire to report and measure all the actions and initiatives carried out to reduce CO₂ emissions.

In 2015 the Hera's questionnaire scored 98 out of 100, fully 10 points more than in 2014, and a B performance level (on a scale from G to A). Hera ranks well above the average of the scores of the 47 Italian companies, which was 85 points.

Waste collected

Costs and benefits of waste management: some alternative scenarios

An extensive discussion has been waging for many years on what the preferred future scenarios should be from social, economic and environmental points of view, for the overall management of the waste and for the various options of collection, handling and treatment of waste. In December 2015 a workshop was held on these issues, at the HerAcademy, Hera Group's corporate university, during which the conclusions of the application of a model for the analysis of the economic, social and environmental implications of alternative waste management option was presented.

The model, developed at European level and used by the European Commission to define the targets of the new package on the circular economy approved in December 2015, helps understand the level at which separation and recycling becomes socially more costly than employing the waste for energy production. The analysis concludes that the option that would lead to the highest reduction of social costs is the one that involves a substantial (but not excessive) level of recycling and a limitation to the use of landfills. On the basis of this analysis the European Commission has also set a goal of 65% for the recycling rate by 2030 (which rises to 75% for packaging waste) and a limit to the use of landfills at 10%.

Hera's ranking compared to European objectives on circular economy

In December 2015 the European Commission adopted a new and ambitious set of measures to stimulate the development of a circular economy, where resources are used more sustainably. The proposal covers the entire life cycle of products; from production to consumption and all the way to waste management and to the market for secondary raw materials. As regards waste management, in particular, it defines specific goals related to 2030:

- to reach a recycling rate of 65%;
- to recycle 75% of packaging (with specific targets for various materials);
- to disposed of not more than 10% of municipal waste in landfills.

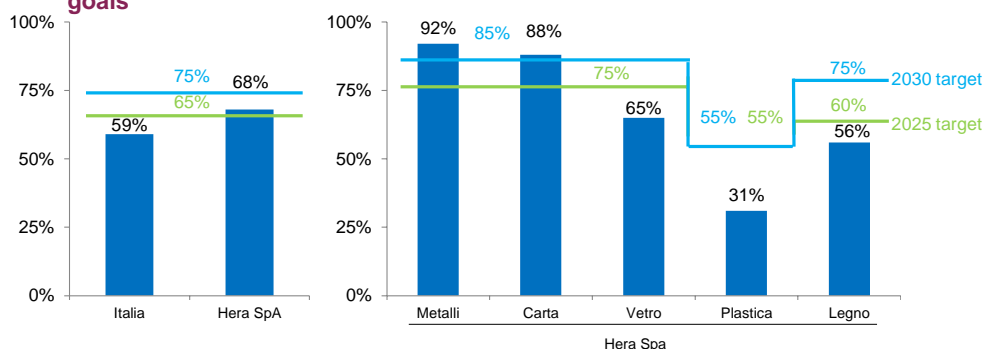
Intermediate targets are planned for 2020 and 2025. In this scenario, Italy is far from the objectives on the use of landfills and recycling overall while it ranks well in relation to the recycling of packaging.

In the area covered by Hera, the recycling targets have already been achieved for packaging (66% compared to the 2025 goal of 65%) and for landfills (8.6% compared to the 2030 target of 10%) while the overall recycling target is close (47% compared to the 2020 target of 50%).

Waste recycling targets for packaging defined by the European Commission for the development of the circular economy: EU target for 2025 already exceeded

The European Commission package of 2 December 2015 requires increasing targets for the overall packaging recycling from 65% to 75%.

2014 Recycling, total and by material - Comparison with circular economy goals



The recycling targets set by European legislation for 2025 **have already been achieved**. Hera SpA has a recycling rate above national average.

The recycling targets set by European legislation for 2025 **have already been achieved in the area served**

by Hera SpA for all materials except glass and plastic for Hera SpA that however have a constantly growing trend.

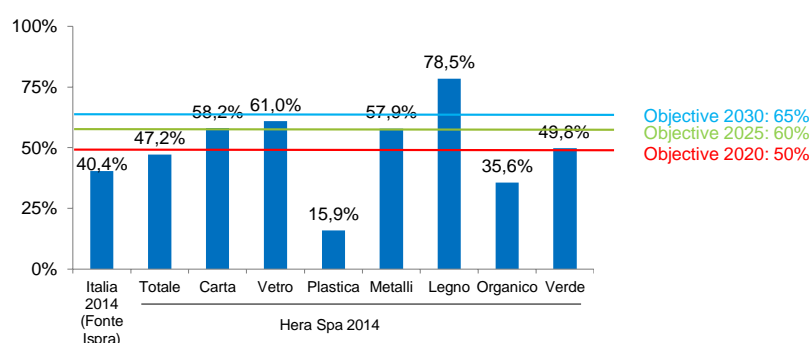
Source: Based on data CONAI, General Final Report 2014 for Hera SpA that however have a constantly growing trend. The recycling rate is calculated by dividing the amount of packaging sent to be recycled by the quantities released for consumption. Hera's recycling rate is calculated as the ratio of kg per capita recycled "from a public area" (i.e. for urban waste in the area served, source "Sulle tracce dei rifiuti") and amount released for consumption (kg per capita in Italy) including industrial and commercial packaging (which will not be integrated in municipal waste).

GRUPPOHERA 1

Recycling targets and preparation for re-use of municipal waste as defined by the European Union

The European Commission package of 2 December 2015 sets targets for the recycling rate. The recycling rate is calculated as the percentage of recycling of domestic waste and the like consisting of paper, metal, plastic, glass, wood and organic material.

Recycling rate estimate



The area served by Hera SpA is **already close to the 2020 target** that has already been achieved for all sectors except plastic and organic material.

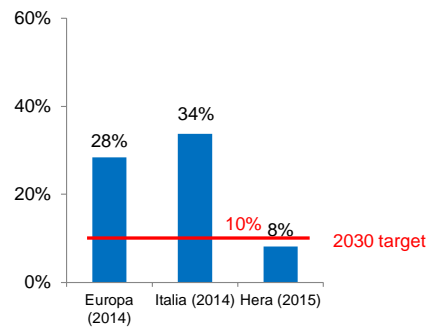
Source: Ipsra, Rapporto Rifiuti Urbani 2015
Recycling rate of plastic with energy recovery: 49.0%

GRUPPOHERA 2

Objectives of reducing the use of landfills for the disposal of municipal waste: the area served by Hera is already close to the 2030 objective

The European Commission package of 2 December 2015 sets a reduction to 10% by 2030 of the use of landfills for the disposal of municipal waste.

Use of landfills for the disposal of municipal waste



The area served by Hera **has already exceeded the target** for 2030.

GRUPPOHERA 3

Separate waste collection

"Tracking waste": 94.3% of the separately collected waste is recovered

In 2015, Hera published "*Tracking waste*," a report certifying the percentage of separated waste actually recovered by the company. Now at its sixth edition, this report shows how in 2014, the percentage was 94.3%.

Inclusive for the first time also Marche Multiservizi's data, for the province of Pesaro and Urbino, the report shows a recovery rate of 99.0% for green waste, 96.4% for paper, 91.1% for organic, 93.7% for glass, 80.7% for plastic, 98.1% for wood, 99.1% for iron and 92.9% for metal.

The latest edition analyzed 73 companies that operate 85 first destination waste plants. Specifically, it includes all the stakeholders of the recovery chain, determined the percentage of waste transformed into "secondary raw materials" and identified the production plants that breathe new life into the material that comes from separate waste collection. The initiative regarded the main materials that are collected separately: green waste, paper, organic waste, glass, plastic, wood, iron and metals (aluminium, steel and tinplate packaging).

Presented at the important Ecomondo 2015 event, the report emphasizes how recovery is one of the key supply chains of the "green economy". The circular recovery economy, in fact, feeds 188 recovery facilities operated by 167 companies that employ a total of 17,000 people and achieve a total turnover of around Euro 10 billion. To ensure maximum transparency and reliability of the data reported, the report was examined and audited by DNV GL.

Separate waste collection in Bologna's city centre

During 2015, Hera continued to implement development of the city centre separate waste collection project, consisting in the construction of mini underground drop-off points for glass and organic waste, and simultaneously starting door to door separate waste collection district by district, and other collateral actions such as custom collection for businesses, separately collecting crates (wood and plastic), plastic packaging, paper and non-separated waste.

This project, started in late 2014 with the San Vitale neighborhood, continued in June 2015 with the Porto neighborhood. Both districts have gone fully operational during the year. The existing 3 underground drop-off points for disposal of cardboard and non-separated waste were also refurbished.

The plan was largely respected with a few delays mainly due to the difficulty of building the underground drop-off points, mainly because of the demanding requirements set by the Archaeological Superintendence, for continuous stratigraphic surveys and the relevant restrictions related to underground utilities.

At the end of 2015 65 underground drop-off points had been completed put into operation, and 12 were under construction. Seven of the latter are expected to be ready by April 2016. About 150 bins of a new type were placed in the city centre in addition to the existing ones. In February and March a pilot project was also launched in the Savena district, installing mechanical lids on non-separated waste dumpsters that limit the amount of waste than can be disposed of in terms of volume, and at the same time, adapting, where necessary, the composition of the existing basic drop-off points reducing the bins for non-separated waste and adding bins for separate waste collection. Targeted collecting was also set up for large producers of crates, in addition to placing dedicated containers for large producers of separated and non-separated waste.

Extremely positive results are confirmed for the separate waste collection provided in 2014, both for the city as a whole and for the individual districts where the service has been started. The city's overall result for 2015 is 44.8% compared to 40.8% of previous year meanwhile the historical center moves from 28% to 42.1% in the same period. In the San Vitale district collection is more than doubled compared to 2014 (61.3% compared to 29.4% of 2014). Similar results in the Porto district if we consider the period from the availability of new underground drop off points, in July 2015. In the Savena district is was 57.0% (it was 46% in 2014). Checks on the quality of the organic and glass waste continue to be encouraging, with percentages of compliant materials around 90%.

Il Rifiutologo (the Wasteologist)

The free app launched as an experiment in 2011 to promote waste management services (the collection methods in the area and the waste drop-off points) and separate waste collection: the data collected over the 4 years show that Hera has succeeded in its mission and that the public likes it. There were over 79,000 downloads, with over 8,000 suggestions for new sections to include and almost 15,000 reports for waste management services. At the beginning of 2015 we extended the capability of sending georeferenced environmental reports to all municipalities served by Hera. Using the “environmental reports” function, now active in all 136 municipalities, users can easily send Hera a message or a photo to highlight a problem with 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. Il Rifiutologo, in

fact, is the first app capable of recognizing a product using its barcode: scanning the code of a product using the camera of the smartphone or tablet. In the area served by Hera, the app shows the disposal method to use and, for products made of multiple materials, how to separate each material. The service currently has an archive of over 950,000 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: in the initial months of 2016 about 600 calls were received each day by the users to update the database. www.ilrifiutologo.it

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 2015 there were around 290 roadside bins in 56 municipalities in the area served by the multiutility company, serving an overall customer base of over 1 million citizens.

The use of these roadside bins made it possible to collect over 300 tonnes of cooking oil in 2015, in addition to the 400 tonnes collected at the drop-off points. Altogether, therefore, in 2015, Hera recovered over 700 tonnes of vegetable oil, up 8% over 2014 and more than twice as much as in 2010.

Following an invitation to tender issued in 2015 for the valorisation of vegetable oils collected, the recovery facilities affiliated with Hera Spa grew to 3 and are more evenly distributed throughout the area served.

This quantity of recovered oil will enable us to generate electricity for around 4,000 inhabitants or produce biodiesel to use as fuel in heating systems, or as a fuel for motor vehicles, mixed with diesel fuel or on its own, helping to reduce greenhouse gases since its emissions are over 80% lower than those of oil-based fuels - the result of a renewable energy source replacing fossil fuels.

"LIFE Identis Wee" the project for the recovery of small appliances

The LIFE Identis WEEE project, supported by the EU LIFE fund, aims to prove the traceability of Waste from Electrical and Electronic Equipment and increase the collection of small appliances such as chargers, mobile phones, televisions, electronic toys, and electronic lamps. This collection is especially difficult with traditional systems. The project sees Hera Spa as parent company and was created in collaboration with two partners: the Italian Ecolight consortium and the Spanish consortium Ecolum.

All prototypes are fitted with digital interfaces that recognize the person disposing of the waste, associating it with other data related to the beginning of the traceability, such as place and date it was disposed of. The containers in the prototypes are then identified with special tags which allow them to be monitored during collection.

Prototypes can communicate the level of waste inside the unit, thus ensuring both "optimal" emptying (performed only with full containers) and the full usability of the service by the user (the emptying is planned and implemented before the container is completely full).

The project was completed with the "mobile" prototype (a mobile station with an operator) that can collect all types of WEEE, providing a scheduled service to users even in areas that are not close to waste collection centres (e.g. city centre) and ensuring the traceability of the waste disposed of.

These machines are an integral part in a data collection system (DPC) that can provide traceability reports and manage the identification and statistical data on users and the alert messages sent by prototypes in the area served by Hera.

At the end of the project, the results obtained both for effectiveness of the recognition and traceability system and for the amounts collected (the growth of which, albeit limited in absolute terms, given the size and "average" weight of the objects disposed of) compensated and even reversed the downward trend of traditional collection methods.

Altogether, in the experimental period, the project involved, in Italy alone, about 11,500 users, for a total of about 30,000 disposals to "properly treat" about 50 tonnes of WEEE and 4 tonnes of batteries, besides the approximately 2,200 disposals, totalling just under 3 tonnes of WEEE, collected in Spain.

Hera and the ECOLIGHT Consortium consider this result is extremely positive, so much so that, also accepting the clear invitation of the points of sale of large retailers (mainly hypermarkets and shopping centers), the two partners have further expanded the collection system, now planned to reach 68 locations in 2016 within the area served by the Group.

Waste Management Services System: information technology for waste management services

2015 was the year in which the Hergo Ambiente project became fully operational, an important technological evolution for the management of environmental services. Since February, after completing the installation and delivery of field devices for both the services provided internally and for those provided by third party operators, the system has been in actual use for management and reporting services. At the same time, the system was brought up to speed by consolidating and completing the functions required in the central information system, and in particular the operational and managerial reporting component has been consolidated. Development of the Business Intelligence function is planned for 2016, to analyse the millions of data that now come from the field to the georeferenced central system. This analysis will be used to support benchmark analysis and to develop efficiency indicators, and will also be vital to redesign services, in a circular continuous improvement process.

To promote collection, "I want a separate life"

"I want a separate life" is Hera's initiative to promote proper and sustainable waste management: at Castel Bolognese families who went to drop-off points to dispose of specific types of waste, received a gift coupon worth Euro 3 to spend in participating shops in the town, identified by the "Negozi Green 2015" logo (Green shops). The initiative distributed 5,000 coupons altogether to be spent at the 30 participating stores.

Waste disposed of

Tracking and recovery also for industrial wastes with HASI

Herambiente Servizi Industriali is the Group company that offers solutions for the proper disposal of industrial waste. A key element of the offer is the identification of the optimal solution to recover and recycle, which ensures maximum traceability and compliance with all environmental regulations whose objective is to minimize landfill disposal. In 2015, Herambiente Servizi Industriali handled over 490 thousand tonnes of industrial waste of which 43% was used to recover materials or energy.

	Quantity treated (tonnes x 1000)	Share of waste recovered
Herambiente Servizi Industriali	491	43%
of which large customers	310	19%
<i>of which large global waste management customers</i>	<i>60</i>	<i>91%</i>
including SMEs	181	66%

Among the 500 large domestic customers who have treated over 310,000 tonnes of waste, the 130 that have signed contracts of global waste management have recovered 91% of the amounts processed. The percentage of recovery of small and medium-sized local companies, however, reached 66%.

Starting in 2015, a special area for customers was added to Herambiente's new website to provide, for each contract, real time information on the treatment of the quantities disposed of or recovered, showing where each was sent to.

Herambiente Servizi Industriali presents itself to the industrial market with environmental sustainability-oriented investment and business choices, well aware that the zero landfill goal is included in the sustainability plans of large international groups. With some of those, working in the food industry and in retail in Italy, Herambiente Servizi Ambientali has already initiated a common path to success.

The goal for the coming years will not only prevent, control and reduce the environmental impact in its customers' activities (including an increase of the total quantities recovered), but also raise awareness among the customers themselves by reporting and sharing the results of environmentally sound growth achieved by implementing technologies and solutions that, while operationally feasible and economically viable, reduce the environmental impact of its operations, even beyond the requirements set by regulations. The zero landfill goal is included in the sustainability plans of large international groups, and is a direction that the company has successfully undertaken together with major food industry and retail players in Italy.

The goal for the coming years will not only prevent, control and reduce the environmental impact in its customers' activities but also raise the customers' awareness by reporting and sharing the results achieved.

The initiatives for the local community

Hera for smart cities

Intelligent and sustainable, green and digital, cities are key to the economic growth of our country. The Hera Group, with the potential benefits offered by the services

provided to the cities in which it operates, contributes to the goals of smart, sustainable and inclusive growth as identified in Strategia Europa 2020, the European urban Agenda and the national priorities related to smart cities, social innovation and competitiveness.

For these reasons, Hera asked the Ernst & Young (EY) to analyze in a smart city perspective, the strengths and weaknesses of the areas where it operates, and its contribution in terms of smartness in ten major cities.

To examine Hera Group's contribution, ten areas have been defined (including environment, renewable energy, energy efficiency and broadband) and analyzed using two synthetic indexes:

- The total size and prevalence in relative terms of some reference assets;
- The smartness of the city, assessed on a wide range of application areas, from sustainable development (where the Hera Group is most present), to infrastructure and digital services.

The analysis by topic area indicates that in the 10 cities considered, the Hera Group:

- provides sewage treatment services to over 1.7 million inhabitants, nearly 100% of the population of the cities served, and manages the separate and door-to-door collection in almost all the cities in which it operates (88 thousand m² for 26 drop-off points);
- manages over 40 green systems including solar photovoltaic, geothermal, hydro, biogas, and biomass. The total installed capacity is over 62 MW. The Group's presence is substantial in the provinces of Ravenna, Bologna and Ferrara, and its waste to energy plants are notable for their quantity and size: Bologna, Modena, Padova and Trieste are among the most important in terms of production;
- built high efficiency cogeneration plants, combined with district heating, for a total of about 17 million m³ served (54% in Bologna, 34% in Ferrara, 6% in Modena);
- with the company Acantho it has over 1,250 km of optical fibre. The Group has a significant presence in the municipalities of Bologna and Modena, where it provided broadband connectivity to 37 schools. 240 public areas are served by Wi-Fi hot spot: also, Hera manages data centers and the digital signatures of the medical reports of various hospitals.

The Smartness index of the cities in which the Hera Group operates uses the EY methodology of the Smart City Index. It is a precise inventory of the innovation initiatives. For services, the viewpoint used is that of the user (citizen, business, tourist, etc.) who wants to use a service on the Internet or however digitally, while the infrastructure included are all those present, analyzing the planning relating to the topic at hand. Applying this model to the Hera Group, the following characteristics are found:

- the methodology was applied to 10 municipalities, in the regions of Emilia Romagna, Veneto and Friuli Venezia Giulia.
- the ranking of these 10 cities have been compared to the 116 provincial capitals of Italy
- the composite index is calculated by aggregating over 400 indicators collected in 10 reference subject areas, both green (environment, energy efficiency, renewable energy and alternative transportation) and digital (smart transportation, smart culture and travel, smart government, smart healthcare, smart education and broadband)

The main findings of Hera's contribution

Municipality	Position in the ranking
Bologna	1
Modena	8
Ravenna	10
Padova	14
Forlì	18
Ferrara	19
Rimini	21
Udine	31
Trieste	46
Pesaro	50

The 10 cities served by Hera were all in the first half of the ranking of 116 Italian provincial capitals. Hera's contribution is evident primarily in the environmental services area (that includes indicators related to the water cycle and to waste collection), energy efficiency (where Hera with its cogeneration systems and district heating systems affects indicators related to smart building), in the area of renewable energy (in which Hera contributes mainly by producing energy from waste at its waste-to-energy plants, its biodigesters and biogas collection plants) and in the broadband area (where the Group contributes through Acantho).

The environment subject area is the one in which the 10 cities analyzed achieve the highest scores. The spread between the various cities is more limited: this aspect reveals how the system-effect influences the individual cities. Hera's contribution is particularly visible in medium-sized towns: Forlì and Ravenna are the regional benchmarks.

As to energy efficiency, in which the utilities have started operating recently, improvements are expected in the near future, as Hera deploys cogeneration and district heating systems in all the cities it operates in. Ferrara (8th nationally) stands out here, as district heating serves approximately 14% of its population.

Hera, as regards renewable energy, contributed with its plants to strengthen the ranking of cities like Ravenna and Bologna (regional benchmarks). In fact in cities with intermediate performance such as Padova, Modena, and Trieste, Hera builds plants to produce energy from municipal waste: Trieste is 3rd, nationally for waste-to-energy treatment.

In the subject area dedicated to broadband and digital infrastructure, the large and medium-sized cities served by the Group stand out for their good performance on fixed and mobile broadband. The gap recorded for small towns is due to their small size that does not make economies of scale possible. Big cities, in contrast, have greater difficulty closing the digital divide in schools, because of the large number of students per school complex. In the area of smart education improvements are expected in Modena, where 37 schools were connected with broadband, mainly by fiber optic cable, mainly thanks to an agreement with the municipality: Hera has built the network through Acantho. A particularly innovative remote management project is in progress in Modena, where Achanto has created an infrastructure based on the paradigm of the Internet of things (IoT) to remotely manage its over 13,000 multiservice points including gas, water, electricity, district heating and sanitation.

Renovation of the Viale Berti Pichat area in Bologna

In March 2015, following the demolition of the building called "Nuova Officina", works were started to prepare the construction of the new office building and activities

related to the removal waste from the same area. During the excavation, limited portions of contaminated soil were found which required a land reclamation process. This reclamation ended in October 2015 and, at the same time, work continued on consolidating the foundation soil of the new building. Under to the new schedule due to the reclamation activities, completion of the construction of the building, planned for the end of 2016, has been postponed to April 2017.

In relation to the reclamation activities, the permanent safety operations on the building called "palazzina SACEP" were completed in April-May 2015.

In May 2015 the Supervisory Board of the Programme Agreement for the Urban Renovation of the Company Area, involving the metropolitan city of Bologna, the municipalities of Bologna, Castenaso, Granarolo dell'Emilia and ARPA, agreed on the guidelines for Variant of the Programme Agreement, subsequently signed the agreement on 23 December 2015.

The main elements of the Variant include:

- a sub-sector intended for "Hera public equipment", of over 46,000 m² of land and over 20,000 m² of usable covered area;
- a sub-sector of about 13,000 m² of land and approximately 4600 m² of usable covered area with related local public car parking facilities for 2300 m² and 2,600 m² of public parks;
- the elimination of public uses (municipal facilities to be constructed in the gas holder and in the building that had been planned, adjacent);
- relegation of the gasometer to Hera, to be included in the sub-sector "Hera public equipment".

As a result of the town planning agreements, a revision of the operational of land reclamation project became necessary, and initiated its approval process integrating the characterization plan and preparing the risk assessment approved by the Local authorities planning conference on 30 November 2015.

Monitoring of air and water compartments for the site, over the entire area continued, with the frequency agreed with the regulators. At the same time, in addition to the analyses currently performed by companies in the Quality, Safety and Environment Department initiated separate monitoring to focus specifically on the impacts that the new pipeline could have on the health of workers at the corporate office.

In 2015 six meetings were held with Health and Safety Representatives (RLS) to report and agree both the progress and the scheduling of the work and the monitoring results.

Construction of the building, started in January, reclamation activities in adjacent areas, and functional commissioning of the building itself will continue in 2016. The environmental remediation of the site will continue, by functional phases until completion all the other activities on the entire sector, expected by 2018 and the cost will be borne fully by Hera even if it is not the party responsible for polluting the area.

Hera has 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.

CiboAmico: 8,500 meals recovered in Hera canteens

"Cibo Amico" is the project that the Hera Group launched in 2010, with the support of Last Minute Market, to recover the meals that have been prepared but not

consumed in the company's 5 canteens (1,500 meals a day) for 6 non-profit organizations that provide hospitality and assistance to around 130 people in need every day in 8 facilities.

The project has social, economic and environmental benefits, from preventing the production of waste (in 2015 the project averted the production of 3.9 tonnes of waste, approximately the volume of 9 bins) to reusing excess food and preventing the waste of the water, energy and land consumption required to produce it.

In 2015, 8,589 complete meals were recovered, a value of Euro 36,600. Since the beginning of the project to all the 2015 were altogether donated almost 57,000 meals, for a value of over Euro 228,000; This avoided the production of approximately 24 tonnes of waste, meaning about 53 bins.

FarmacoAmico: for the recovery and charitable reuse of pharmaceuticals that have not yet expired

The "FarmacoAmico" project, for the separate collection and reuse of pharmaceuticals that have not yet expired, was launched in Bologna in 2013. Promoted by Hera together with its partners the Bologna municipality, ANT, Last Minute Market and a number of trade associations in the pharmaceutical sector, FarmacoAmico seeks to collect pharmaceuticals that have not yet expired in order to create a charitable network in the local area. The pharmaceuticals, which still have at least six months to go before their use-by dates and which have been properly stored, are reused by non-profit organizations 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 pharmaceuticals - Time4Life Onlus, Opera Padre Marella, Sokos and We are Onlus and Amici di Ampasilava Onlus are accredited as secondary beneficiary organisations. In 2015, the 30 pharmacies involved collected 15,000 medicine packets that could be reused for a value of over Euro 190 thousand. The project is also active in the municipalities of Imola, Medicina and Faenza, where the 9 pharmacies involved in the initiative recovered 5,700 more packets of pharmaceuticals that could actually be reused, worth Euro 74,500.

The project also started in Ravenna, where the 23 pharmacies participating in the project recovered 349 kg of pharmaceuticals that had not expired and since September 2014, also in the Forlì municipality, with 26 pharmacies participating and collecting 477 kg of usable medicines.

"Cambia il finale" (Change the outcome) to give bulky waste a second chance

"Cambia il finale" is a project promoted by Hera, in collaboration with Last Minute Market and 18 local non-profit organizations, which aims to recover goods that are in good condition, avoiding that they become bulky waste and at the same time pursuing a goal of social responsibility. Under this initiative started in March 2014 users can contact Hera's customer service to request home collection of bulky waste. If the material is not reusable the user can always take it to the nearest drop-off point or get it collected free by the bulky waste collection service, if present. The project is active in 82 municipalities. In 2015, around 714 tonnes of bulky waste was collected by the non profit organizations. The non-profit organizations were involved in over 4,560 collections, 3,400 of which were free, home collections. Finally, and

significantly, the Hera's 18 non-profit partners in 2015, involved over 1,100 volunteers and have made 227 social inclusions, of which 72 were involved directly in the project.

During 2015 Hera decided to assess the social impact of its social responsibility activities by applying the SROI methodology. For *Cambia il finale*, the outcome was positive by showing how value can be created both economically and socially (its SROI ratio was 1.37).

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, continues to perform well in 2015.

Launched in January 2011, the “Manolibera” project was developed by Hera to create an artisan paper factory at the Forlì prison to give those involved some concrete employment opportunities. It was set up in collaboration with the Techne training institute and the Comieco Consortium, supervised by an artist and a paper expert, and supported by the CILS social cooperative to ensure its continuity. The added value of the products of the paper factory is both the exclusivity of the method used and the artistic, social and ecological value of its creations. Currently the inmates involved in the initiative produce artistic products, such as stationery, gifts, cards, photo books, wedding favors, etc. from paper and cardboard waste.

In parallel with the market activity a training course addressed to inmates already present in the lab was also initiated. It included specific occupational safety training and mentoring to improve the productive activity and the autonomy of the detainees. A new catalogue of products for sale has been distributed since September also in Turin and Verbania, in two temporary stores specially dedicated to the marketing of these products.

The “RAEEbilitando” project gives disabled young people a job dismantling non-hazardous WEEE. It was started up in Bologna in collaboration with the Remedia Consortium and the Opera dell’Immacolata. During 2015, in addition to the 9 young people employed, another 3 joined for a period of training and experimentation. Since the project began, 100 tonnes of WEEE have been processed, recovering nearly 90% by weight of the materials (copper, aluminium, plastic, glass). Comparing the scenario of the disposal of the quantities supplied to the workshop, this activity has enabled energy savings of 175,600 GJ and prevented the atmospheric emission of 4,870 tonnes 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 Emilia-Romagna Region 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 coming from the Hera Group's separate waste collection centres. The various components of the waste are dismantled and sent to specialised plants: over 85% is recovered. Over 70 prisoners have been involved in the 3 workshops since the start of the activities and, of these, 26 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. Over 3,600 tonnes of waste have been treated to date, with a positive annual growth trend.

VedoHera, Hera's sustainability within reach of an email

VedoHera is the newsletter that chronicles the company's commitment to sustainability to its 120,000 members. Also available on Hera's corporate website, in the section on corporate social responsibility, it updates readers on sustainability-related news, events and appointments. In particular, in 2015, the page got 25,500 on line views with a peak in October, when the special edition with the "In good water" report was published.

After rewarding schools, Hera also rewards parents in Bologna

"Attivi per la scuola" (Active for school), is the contest that rewards the work and commitment of parents' committees. After the educational project "La grande macchina del mondo", which organized workshops and meetings on environmental issues in schools for over 60,000 students, Hera for the first time wanted to reward the committees that had been active throughout the school year for environmental education and to support the culture of sustainability, with a total donation of Euro 2,400. Parents' committees also discussed situations of extreme need, such as the municipality's earthquake victims: one of parents' committees which was among the winners was a victim of the earthquake.

Hera for rebuilding after the earthquake

The sewage pipes of San Carlo in Ferrara were renewed and repaired in 2015. They had been damaged by of the 2012 earthquake by sandy material that had come from underground, which had flooded cellars, ground floors and cultivated fields. Hera has completely cleaned out the sewer network in the Ferrara area: 300 tonnes of material was removed from 1,700 metres of pipelines and several pipe sections have been replaced, completing the sewer as modelled.

Development centre and technological innovation: a new idea incubator

New ideas to improve the Group's business are also created in the Development and Technological Innovation Centre of the Innovation Department. It has been located in the company's Ferrara offices since October 2015. The organization seeks and develops the most innovative solutions on the market, and has already launched a number of initiatives in partnership with universities and local companies. A laboratory is also being set up to build prototypes and test new plant equipment.

Hera and the Modena municipality aid families in need

In July Hera signed an agreement with the Modena municipality to help residents that are assisted by social services and that are Hera's clients for electricity, gas and water. The goal is to prevent disconnections due to late payment, as much as possible, and help overdue payment from creating worse problems, thanks to a structured and effective synergy between the municipal authorities and Hera, which activate timely and effective measures for particularly distressed cases of financial problems.

Riciclandino: recycling can help schools

Separate waste collection and schools support each other thanks to Riciclandino, Hera Group's project in the Modena area that involves over 100,000 students from 74 schools in 15 municipalities. The children and their families are encouraged to bring

their waste to local drop off points: based on the quantity and type of waste provided, Hera will make a donation to the various schools.

Hera with Aziende Modenesi per la Responsabilità Sociale d'Impresa, the Modena Business Association for Corporate Social Responsibility

Hera is one of 34 companies, of different size and legal status, who chose to be promoters of Aziende modenesi per la Rsi (Modena's Businesses for CSR). This business association's goals include disseminating the principles of sustainability and organizing meetings with experts and to implement social responsibility projects.

Solidarity and sustainability at Ravenna's farmer's market

A solidarity and sustainability project for separate waste collection and to fight against food waste has been set up, working with vendors in Ravenna's farmers' market and with volunteers of the Persone in Movimento cooperative. The vendors at the market separate their waste in their stalls and at the end of the market day, Hera attendants collect it. They also deliver fruit, vegetables, and foods that must be consumed soon, to the cooperative's volunteers, who take them to the Re di Girgenti night shelter. The food is used to prepare meals for people who have economic and social problems.

Riciclaggiardino: a small ecosystem for the L'Hera dei Bimbi nursery school in Ravenna

The programme to raise awareness among children and their families for the love for nature and for the culture of creative reuse in the "L'Hera dei bimbi" nursery school in Ravenna has reached its end. By re-using waste materials, the programme included creating a small sustainable ecosystem, made of flower beds and vegetable garden.

Fast and safe connection for schools in the Bologna Apennines and Imola

The schools of the Bologna Apennines and ten colleges in Imola will be interlinked safely and quickly. Dynamic filtering and authentication services will also be provided, in the framework of the regional SchoolNet project. After providing connectivity to 31 schools in Modena, Acantho now provides Internet access to these 19 institutes and schools under an agreement signed in December 2015 with Lepida Spa. Imola schools will also be given an ultra-wideband 1 Gb connection thanks to a donation from Con.Ami BeniComuni and Fondazione Cassa di Risparmio di Imola.

Real-time Number Plate Recognition in Modena with Acantho

A number plate recognition system with real-time reporting was set up in Modena in December 2015 to aid in preventing and punishing traffic violations. The innovative pilot project organized by the municipality and Acantho includes connecting the cameras to the Ministry of the Interior's national database of vehicle ownership and transits to identify stolen vehicles or vehicles that are on the lists of law enforcement agencies.

Suppliers

There are about 4,900 companies in Hera's pool of suppliers. 68% of the value of the supplies is ordered from local suppliers demonstrating the positive local economic impact of the Group. All the qualified suppliers have signed the letter of intent with commitment to observe the Sa 8000:2008 standard.

Objectives and performance

What we said we would do	What we have done	Scope
Economically most advantageous bid: 100% of the value of public tenders for services and work; >70% of the value of total awards in the year; average score reserved for sustainability: 20 out of 100.	In 2015, 73% of the value of the total awards was achieved using the economically most advantageous offer method and the average score reserved for sustainability was 23.5 points out of 100. All the public tenders were carried out in accordance with this criterion. (see page 269)	H
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).	In 2015, the clause was included in the public qualification system for activities supporting the network emergency response service and for meter reading. (see page 274)	H
Develop supplier dynamism: define a model for encouraging the generation of ideas by the suppliers within a win-win logic.	In 2015, a model was defined for encouraging the generation by the suppliers of winning solutions within a win-win logic. (see page 280)	H
Continue with the development of the quality, safety and environmental management system in the choice of the suppliers.	The development of the certification systems continued in 2015. 82% of the supplies originate from Iso 9001 certified suppliers, 52% from Emas/Iso 14001 certified suppliers, 44% from Ohsas 18001 certified suppliers and 23% from Sa 8000 certified suppliers. (see page 169)	H A
Sa 8000 monitoring: additional 55 questionnaires and 10 audits on the suppliers.	During 2015, 10 audits were carried out care of the suppliers (of which six at their premises and four at Hera sites). 60 questionnaires were collected. (see page 168)	H
Monitor the accidents of the suppliers for 70% of the value of the supplies of services and work.	Monitoring of the accidents carried out on 79% of the value. (see page 277)	H
Achieve the 2nd convention with the main suppliers.	Convention organised in December 2015 also with the suppliers in the Triveneto area: invitations equal to 59% of the value of the Group supplies. (see page 280)	H A
Integral compliance with the Group platform for qualification and selection of the suppliers by the end of 2015.	The process for the alignment of AcegasApsAmga was concluded with regard to the procedures and operating instruments for the handling of the procurement negotiation processes.	A

We shall	Scope*
SA8000 monitoring: collect an additional 60 assessment questionnaires and 14 audits care of the suppliers (headquarters and Hera sites).	H
Compliance of Marche Multiservizi with the Group platform for qualification and selection of the suppliers by the end of 2016.	M
Achieve the 3rd convention with the main suppliers (with a focus on health and safety).	H A

We shall	Scope*
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
Develop supplier dynamism: incentive the active suppliers to generate ideas within a win-win logic.	H
Continue with the development of the quality, safety and environmental management systems and corporate responsibility in the choice of the suppliers.	H A
Continue to show preference for the economically most advantageous bid: 100% of the value of public tenders; >70% of the value of total awards in the year; average score reserved for sustainability: 20 out of 100.	H A M
Workplace health and safety: monitor the accidents for 70% of the value of the supplies of services and work and sensitize suppliers about health and safety.	H

* Geographical sphere of the improvement objectives

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

Our suppliers

Around 4,900 companies supply Hera with goods, services and work

At the end of 2015, the Group's suppliers included almost 4,900 companies qualified to supply 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 Spa, AcegasApsAmga, Hera Comm, Herambiente, Fea, Hasi Uniflotte, Hera Luce and Marche Multiservizi: intercompany purchases are excluded.

The presence of a single list of qualified suppliers for the entire Group is an opportunity for suppliers to expand business for all goods/services categories associated with them.

During 2015, further to the important training and coaching activities, the process for the alignment between Hera and AcegasApsAmga was concluded with regard to the procedures and operating instruments for the handling of the procurement negotiation processes.

Pool of suppliers

No.	2013	2014	2015
Goods	2,219	2,124	2,433
Services	2,804	2,823	3,423
Job orders	534	592	761
Total	4,049	4,093	4,881
of which suppliers who received at least one order during the year	2,717	2,743	2,920

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.

More than 60% of the 4,881 suppliers in the list are qualified for the supply of services and work: almost 60% (2,920 suppliers) have had at least one active contract in 2015. The increase in the number of suppliers enrolled in the list (+19%) follows the completion of the integration of the suppliers in the Triveneto area in the Group list.

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 Separated waste collection centres. With regard to the grid services, greater recourse is made to outside suppliers for the activities concerning highly specialised maintenance, plant engineering 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 2015, consistently with the provisions of the Protocol signed in 2009 with associations representing social cooperatives, we continued to hold periodic meetings to monitor the use of disadvantaged personnel which the type B social cooperatives use in the management of the work contracts awarded by Hera Group companies. Monitoring observes an operating instruction in accordance with the Protocol signed and follows 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 and assess the same.

Supplies from social cooperatives

	2013*	2014	2015
Social cooperatives or consortiums (number)	23	44	44
Value of supplied goods/serv. (in thousands of Euro)	35,497	44,703	46,527
Persons facing hardship hired (number)	581	642	686

Among the persons facing hardship hired, workers employed for less than one year were also counted. *Excluding AcegasApsAmga and Marche Multiservizi.

In 2015, the value of the supplies by types of work or services requested by the Hera Group from social cooperatives came to around Euro 46.5 million, disclosing an increase of 4% on the previous year.

Out of the total of the deliveries made by social co-operatives, about Euro 46 million was assigned for the execution of waste management services, equal to 25% of the total awards made by the Group for these services. Supplies involved 44 cooperatives or consortia of social cooperatives, with the employment of 686 persons facing hardship: 475 under permanent contracts and around 288 under full-time contracts. At geographic level, the individuals employed came to 262 in the Emilia area, 326 in Romagna, 71 in the Triveneto area and 27 in the Marches. These results derive from the implementation of the protocol entered into by Hera in 2009 with the associations representing social cooperatives.

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 national collective labour agreement, via the definition of

socially inclusive projects. This portion is equal to 5% and can be raised 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 68% of the total

The importance of the economic repercussions which the Hera Group generates on the area and local communities where it operates was confirmed once again in 2015.

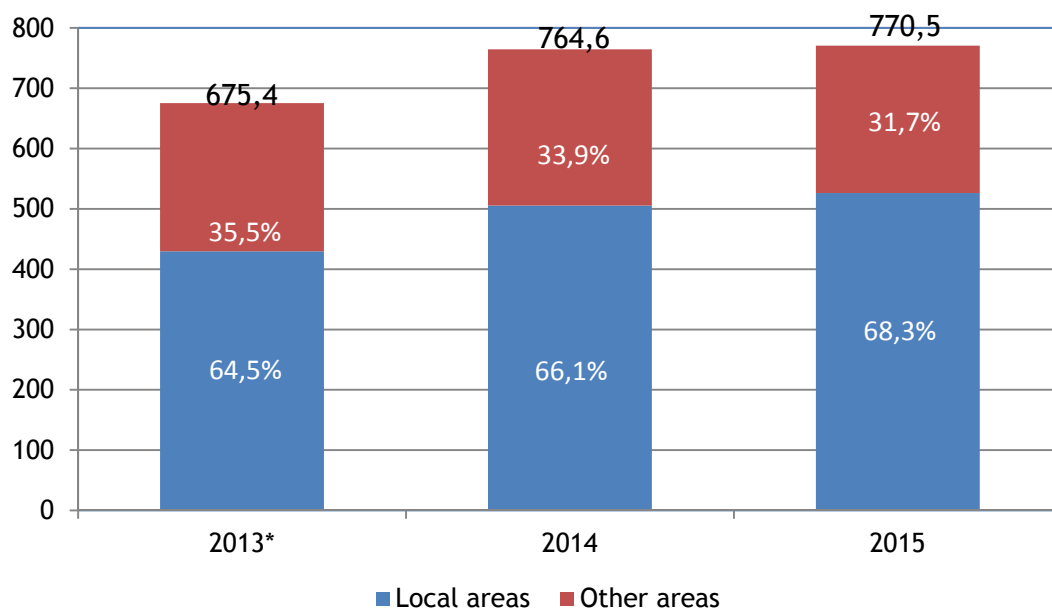
More than 61% of the companies enrolled in the supplier register (which as from 2014 also included the Triveneto region) have commercial headquarters in the area covered by Hera. With regard to Marche Multiservizi's suppliers, 56.8% have headquarters in the reference area.

Suppliers (breakdown by geographic area)

No.	2013*	2014	2015	% of 2015 total
Bologna area	621	578	582	12%
Ferrara area	179	171	169	3.5%
Forlì-Cesena area	330	307	303	6.2%
Imola-Faenza area	228	218	216	4.4%
Modena area	405	335	329	6.7%
Ravenna area	294	261	265	5.4%
Rimini area	259	223	220	4.5%
AcegasApsAmga area		456	905	18.5%
<i>Total TOS area</i>	<i>2,316</i>	<i>2,549</i>	<i>2,989</i>	<i>61.2%</i>
Other Italian regions	1,656	1,461	1,777	36.4%
Other European Union nations	59	68	88	1.8%
Other	18	15	27	0.6%
Total	4,049	4,093	4,881	100%

Excluding Marche Multiservizi. *Excluding AcegasApsAmga.

Value of supplies: breakdown by geographic area (in millions of Euro)

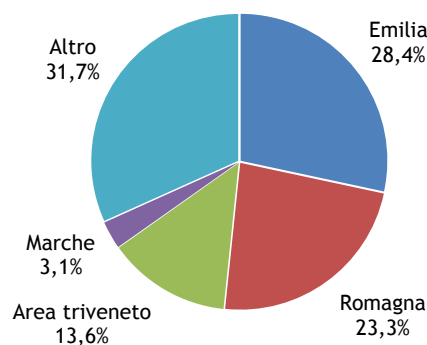


*Excluding AcegasApsAmga.

In terms of economic value, Hera issued purchase orders for Euro 526.1 million (68.3% of the total), to businesses based in the same area as that covered by Hera. The incidence of the local supplies reported an increase of two percentage points with respect to 2014.

The purchases outside the European Union were made from suppliers with commercial headquarters in Switzerland, Israel, Canada, Mexico and the Republic of San Marino.

Value of supplies: breakdown by geographic area (2015)



Qualification and selection of suppliers

The system adopted by the Group to ensure safety and quality of the supplies

Supplier qualification and assessment checks the 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

The vendor management system was consolidated back in 2012 as a model for the self-registration and qualification of the suppliers. The system supplements the e-procurement platform and the new instruments which simplify the relationship of the Hera Group with its suppliers. This important evolution has made the qualification and assessment process more central within the Group's certified system.

In the area of the website dedicated to qualification, the suppliers can access the procurement product categories and avail themselves of 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, the contact person and the e-mail addresses) and 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 on 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 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) for which interest has been shown.

In the qualification phase, the suppliers are required to register with the white list care of the related Prefect's Office for the sectors of interest identified by the Italian Prime Minister's Decree dated 18 April 2013: transportation of materials to landfills on behalf of third parties, transportation and disposal of waste on behalf of third parties, supply and transportation of earth, aggregates, concrete, bitumen, rental of machinery without skilled operators, supply of processed iron, road haulage on behalf of third parties, worksite security. The white list is the list of the suppliers who provide services and executors not subject to the risk of mafia infiltration.

Another important aspect of the Vendor Management system is the progressive monitoring of the companies who jointly take part in the performance of the contracts for the Hera Group in the role of sub-contractors, in consortiums or principals in temporary joint ventures. The monitoring implements a more complete reporting, which improves the governance of the purchases, and extends the mechanisms for valuation and control envisaged by the Group procedures to the subcontractors.

Suppliers: breakdown by type of certification

The percentage of supplies from certified suppliers reports a constant increase scope being the same, and is the result of both direct action taken by the Group

companies, which systematically include the possession certificates in the calls for tenders or in the supplier qualification stage as an obligatory requirement for taking part, and of the greater sensitivity acquired by the companies in considering the certification as a component of greater competitiveness.

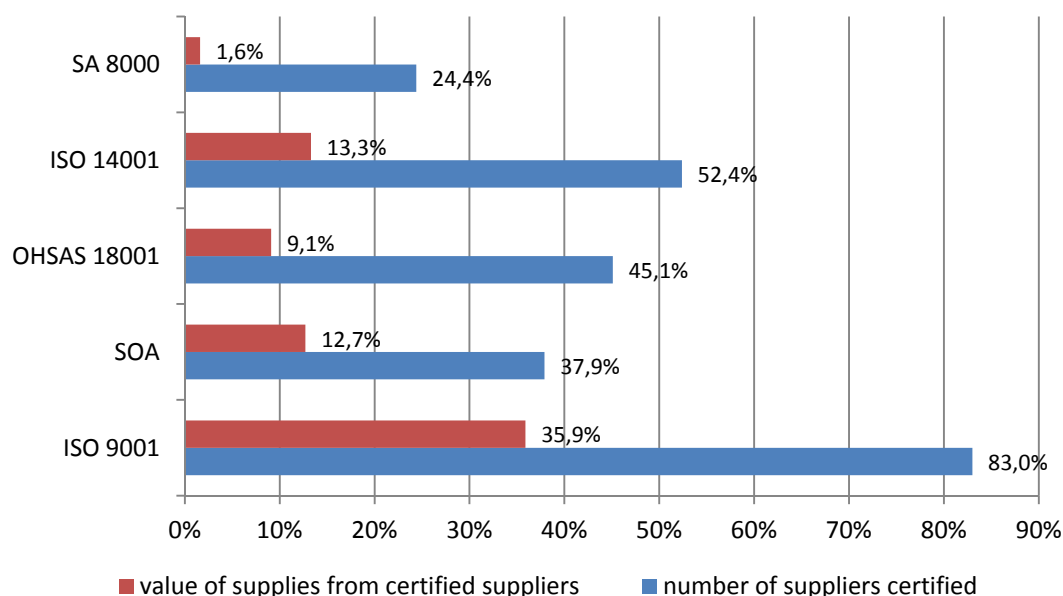
The supplies by companies Ohsas 18001 and Sa 8000 certified continue to rise, in particular, scope being equal.

Procurement from suppliers - value breakdown by type of certification % of total supplies)

%	2013*	2014*	2015*	2015
Quality certification (Iso 9001)	81.9%	85.1%	85.9%	81.9%
Environmental certification (Iso 14001-Emas)	52.3%	55.0%	55.0%	52.0%
Certification of qualification for execution of public works (Soa)	46.7%	47.3%	39.1%	37.2%
Occupational safety (Ohsas 18001)	29.5%	45.7%	47.8%	44.2%
Social certification (Sa 8000)	17.4%	18.4%	27.3%	23.4%
Sinal/Sit	4.5%	4.7%	12.6%	10.1%
<i>Total supplies (in millions of Euro)</i>	<i>557.6</i>	<i>586.3</i>	<i>605.6</i>	<i>770.5</i>

*Excluding AcegasApsAmga and Marche Multiservizi

The qualified suppliers and those rewarded (2015)



Excluding Marche Multiservizi

Supplier assessment and checking

Numerous changes were introduced in 2015 to improve the model for the monitoring and management of the periodic assessment of the suppliers. They were adopted by means of the maintenance of the reporting active since 2011, which is quarterly with regard to the concession of the bonuses, while the method for calculating the decreases is implemented on conclusion of the analysis and the definition of the specific corrective action. This allows the company to 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. In the event of serious or very serious non-compliance of the supplier, the possibility of temporary suspension of the contractual relationship ranges from three to six months. In 2015, the suspension was activated for five suppliers due to very serious non-compliances. In all five cases, the suspension was for six months,

The periodic assessment on the anomalies makes it possible for the active supplier to receive an up-date of their scoring for each individual qualified commodity, with an increase in the event of total absence of anomalies, or with a decrease in relation to the seriousness of the anomalies detected.

The scores thus have therefore been divided up into three 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	Scoring interval	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 it takes place during the execution of the service, for each related quarter: the check is carried out by means of compiling and signing specific monitoring check lists. These check lists are compiled and signed also in relation to sub-contractors and similar if present. At the beginning of 2015, activities of the in-house work group were finalised, regarding the pilot project for the standardisation on the main check lists for services and work, launched in order to guarantee increasing consistency and equity in the assessments: once streamlined and standardised, the check lists are made available on the company information portal to the contract managers, together with the standardisation of the various anomalies. Thus it has been possible to ensure coherence and equity in the assessments made.

The classification of the quality warnings also helps to ensure the prompt and correct periodic evaluation of the qualified suppliers. The four categories identified 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 Sa 8000 certification stand out.

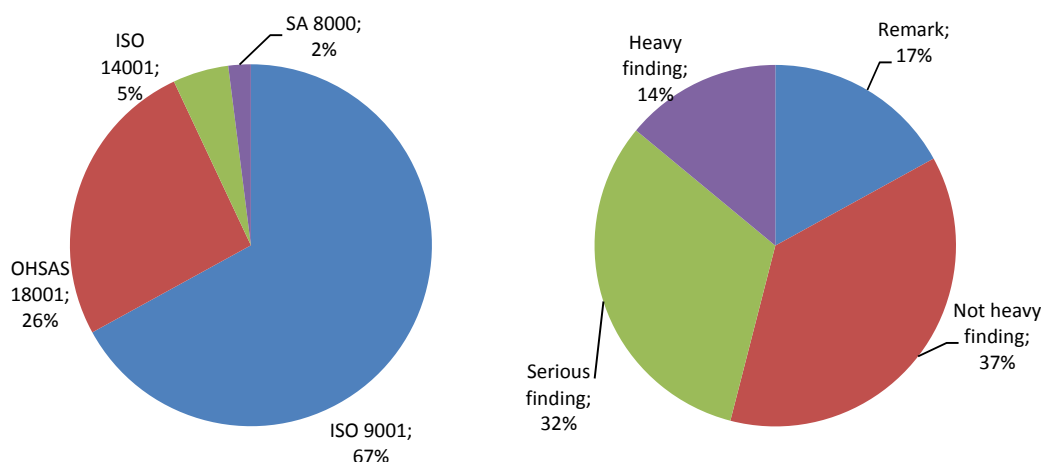
The number of checks on services and work is always defined on the basis of the contractual amount, the term of the order and the contract, and also the impact on quality, safety, the environment and on the social responsibility of the services monitored.

Once again in 2015, the internal audits of the Quality, Safety and Environment Department and the Procurement and Tender Contracts Department of Hera Spa continued for checking the procedures adopted care of the contract contact individuals: the audits were four during the year and the new training plan for company contacts was based on the problematic elements noted. The new plan illustrated - to almost 600 individuals in Hera Spa and more than 300 individuals in AcegasApsAmga - all the innovations introduced in the accurate monitoring of the suppliers and the data loading in the company information system.

In 2015, inspections continued in the facilities of suppliers of strategic goods for Hera: in some cases partially non-compliant conduct was noted which was promptly highlighted, with consequent launch of corrective action and prompt verification of the effectiveness. There were four inspections during the year, which were joined by another six carried out within the Sa 8000 certification sphere.

Including AcegasApsAmga, during 2015 601 cases of non-compliance were detected overall (+8% with respect to 2014). Of these, 502 were closed as at 31 December 2015. The non-compliances relating to the observance of safety legislation numbered 157, those relating to respect for the environment were 33 and those concerning the social commitment were 11.

Findings (2015)



Excluding Marche Multisevizi.

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. The Group guidelines favour the economically most advantageous bid method as the approach for assessing bids, using sustainability criteria consistent with the principles of the Code of Ethics. Within this sphere, the guidelines identify areas for the selection of the suppliers: respect for the environment, social commitment, quality of the services and economic value. A minimum number of sustainability criteria for choosing suppliers were established for each area, 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 according to the type of tender, the importance of the sustainability criterion in relation to said tender, and assessments of previous tenders assigned and their results. 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 for the choice of the criteria and the assessment of bids in the tender phase.

Company policy envisages that the technical-economic score ranges from a minimum of 20 points for the supplies of goods 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

	2013*	2014*	2015*	2015
No. of public invitations for tenders published	9	13	10	18
Value of the public invitations for tenders published (in millions of Euro)	63.4	91.5	282.7	306.6
% of tenders with economically advantageous bid out of total (value of the calls)	100%	98%	100%	100%
Average score assigned to aspects relating to sustainability of public tenders awarded during the year	22	26	27.5	25.3

*Excluding AcegasApsAmga and Marche Multiservizi

In 2015, a total of 18 public invitations for tenders were announced, for a total starting price of around Euro 307 million, all to be awarded based on the criteria of the most economically advantageous bid. The average score assigned to the sustainability aspects came to 25.6.

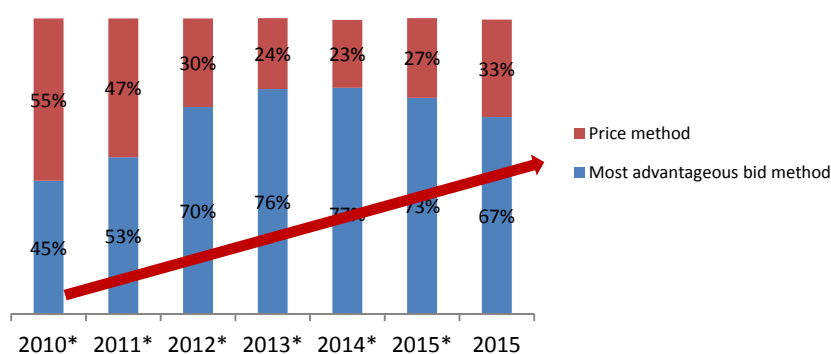
Furthermore, 6 public tenders for qualification systems were held, which were not included in the total: the regulations in fact require that the tender amount and the award method be defined as and when in the subsequent negotiation procedures.

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 73% of the value of contracts managed by the Procurement and Tender Contracts Department, excluding AcegasApsAmga and Marche Multiservizi, to which the most economically advantageous bid criterion is applicable took place according to this method, in place of the largest discount. This figure comes to 67% if AcegasApsAmga and Marche Multiservizi are included.

Total awards adopting the economically most advantageous bid method

	2013*	2014*	2015*	2015
Value of the total awards to which the economically most advantageous bid award method is applicable (in millions of Euro)	359.8	378.1	411.0	531.5
% of the value of the awards adopting the economically most advantageous bid method	76.1%	76.5%	73.1%	66.6%
% of the value of the awards adopting the economically most advantageous bid method with environmental and/or social criteria	93.0%	92.3%	95.6%	96.0%

* Excluding AcegasApsAmga and Marche Multiservizi.

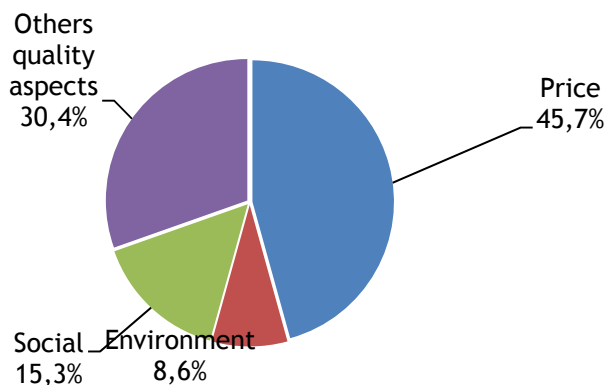


* Excluding AcegasApsAmga and Marche Multiservizi.

96% 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 greater detail, 95% using the environmental assessment approach and 90% according to the assessment criteria which consider social commitment.

With regard to orders/contracts awarded during 2015 via the economically most advantageous bid award method, the average score assigned to the technical component was almost 54 points out of 100, of which 23.5 relating to sustainability criteria (8.7 pertaining to environmental aspects and 14.8 to social aspects).

Total awards with economically most advantageous bid: scores assigned to the various components (weighted average on the basis of the amount) (2015)



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 awards, and at least 20 points on average to environmental and social sustainability aspects (in awards of services and work using this selection criteria).

During 2015, within the ISO50001 certification process for Hera Spa which in this manner endowed itself with a system (certified) whose purpose is the on-going improvement of the use of energy, a clause was envisaged in the standard specifications which obliges the technical contact individual - if they detect that the subject matter of the purchase has a significant impact on the energy consumption of the Group - to proceed with the assessment of the energy efficiency requirements on the basis of an Energy Management document useful for the assessment of the energy impact.

With regard to the importance and significance assigned to sustainability criteria when assessing the bids, the following stood out among the tenders awarded in 2015.

Among the public tenders:

- In the restricted procedure tenders for the awarding of the environmental services for collection and sweeping in the area managed by the Hera Group, for an annual tender amount of around Euro 125 million, of the 60 points reserved for the technical component 26 points were reserved for social sustainability aspects (work induction of individuals facing social hardship, possession of the Ohsas 18001 safety and Sa 8000 social responsibility certification), eight points for environmental sustainability aspects (average age and environmental impact of vehicles used), eight points were dedicated to the proposal of the competitors of innovative technical services, 18 points to other technical aspects relating to the organisation of the service.
- In the negotiated procedure public tender for the awarding of the executive planning, construction of a building for company office use and for community services located within the area of Hera Spa's registered offices in Viale Carlo Berti Pichat 2/4, Bologna , for a tender amount of more than Euro 11 million, of the 60 points reserved for the technical components 26 points were reserved for environmental sustainability (system for protecting the building from solar irradiation, energy

sustainability of the measure such as heat recovery efficiency, systems for controlling heat and energy consumption, energy output of the lighting system), and 18 points were reserved for social sustainability (worksite safety; structural improvements, such as pressure on the ground, yielding, fire resistance; ergonomic sustainability and healthiness/usability of the building such as acoustic conditions and measures suitable for avoiding discomfort and sick building syndrome symptoms).

- In the negotiated procedure public tender for the executive planning and creation of accumulation volumes for waste water in the closure section of the Ausa basin, safeguarding the seawater, inclusive of the electromechanical works and the realisation of the architectonic and landscape organisation works in Piazzale Kennedy in Rimini, for a tender amount of around Euro 25 million, of the 65 points reserved for the technical component, six were reserved for social sustainability aspects (Ohsas 18001 safety certification, Sa 8000 social responsibility certification, accident rate applied) and 11 points for environmental sustainability (possession of Iso 14001 certification, acoustic improvement of the plant, reduction of excavation depth).
- In the restricted procedure public tender for the awarding of the work for adaptation and enhancement of the waste water treatment plant of Servola (Trieste), for a tender amount of more than Euro 40 million, of the 75 points reserved for the technical component, 16.5 points were reserved for environmental sustainability aspects (measures and stratagems to limit the effects on the environment deriving from the worksite activities, such as noise, dust, smells and traffic, in the execution phases and in the subsequent phases for full management of the plant; plant energy efficiency; improved quality of water exiting the plant).

Furthermore, mention is made of the following public qualification systems:

- Within the sphere of the Public qualification system for the awarding of the water/sewage emergency response service for the Emilia East area, for a tender amount of more than Euro 10 million/year, of the 60 points reserved for the technical component, 31 were reserved for social sustainability aspects (safety training, staff with work experience of at least three years in environments suspected to be polluted or confined areas, staff qualified for measures on asbestos, Ohsas 18001 safety certification, Sa 8000 social responsibility certification, accident rate applied), and nine points to environmental sustainability (environmental impact of means of transport, Iso 14001 environmental certification).
- Within the sphere of the Public qualification system for the awarding of the meter reading service (tender inclusive of AcegasApsAmga), for a tender amount of more than six million a year, of the 60 points reserved for the technical component, 20 were reserved for social sustainability (female percentage, safety training, Sa 8000 social responsibility certification, Ohsas 8001 safety certification, accident rate applied), 3 to environmental sustainability (environmental impact of vehicles), and 37 to other technical aspects: including, the number and professional experience of the staff made available, the meter reading error rate.
- Within the sphere of the Public qualification system for the awarding of the scheduled maintenance service, network extension, connections and accessories of the electricity commodity sector to be carried out in the areas

of Imola and Modena, for a tender amount of Euro 4.7 million a year, of the 40 points reserved for the technical component, 14 were reserved for social sustainability aspects (Ohsas 18001 and Sa 8000 safety certification, safety training, first aid, fire fighting, staff qualified for measures on asbestos, accident rate) and eight points for environmental sustainability aspects (age of the vehicles made available and possession of Iso 14001 certification).

Among the private tenders:

- Within the sphere of the tender for the awarding of the work for the construction of the 9th sector of the Ravenna non-hazardous waste landfill for an amount of almost Euro 12 million, of the 40 points reserved for the technical component, 23 points were reserved for environmental sustainability aspects (permeability, thickness, resistance, force/yield stress) and five points to social sustainability (operating formalities and safety).
- In the tenders for the awarding of the specialist electrical, mechanical and construction maintenance work on the integrated water cycle plants and on the heating plants of the Hera Group, with an annual overall tender amount of more than Euro 10 million, of the 60 points reserved for the technical component, 22 were reserved for social sustainability aspects (first aid and fire fighting training points, Ohsas 18801 certification, Sa 8000 certification, accident rate, staff qualified to work in confined spaces), two to environmental sustainability (possession of Iso 14001 certification), 36 points to other technical aspects with particular reference to number and experience of the dedicated staff (Pes/Pei qualified staff, specialist training, possession of Uni-En 1090 certification).
- In the tender for the purchase of two gas turbo-generators for the Bologna co-generation plant, for an amount of Euro 5.8 million, of the 40 points reserved for the technical components, 10 were reserved for energy efficiency. Likewise, in the private tender for the purchase of two natural gas compression units for the Bologna co-generation plant, amounting in value to Euro 700 thousand, the 40 points of the technical component were reserved for the valuation of the related electricity consumption.
- In the tender for the awarding of the work for the planning and construction of the civil works in the renovation measures on the Cogen co-generation plant in Via Nanni Costa, Bologna, for an amount of around Euro 2.6 million, in the tender for the awarding of the work for the construction of a lamination tank in the Rimini area, amounting to more than Euro 2 million, in the tender for the awarding of the work for the realisation of the measures for reconversion of the Via Marecchiese treatment plant to a lamination system and a plant for the relaunch of the waste water towards the Santa Giustina treatment plant (Torrino section) in the municipality of Rimini, amounting to more than Euro 2 million, of the 30 points reserved in these tenders for the technical components, at least six points have been reserved for social sustainability (possession of Ohsas 18001 certification and accident rate applied) and at least two points are assigned to environmental sustainability (possession of Iso 14001 certification).
- In the tenders for the awarding of the waste handling, riddling and processing service at the compost plants in Rimini, Ravenna, Ferrara

and Bologna of the Hera Group, with an annual tender amount of more than Euro 4.5 million, of the 60 points reserved for the technical component, 14 were reserved for environmental sustainability aspects (environmental impact of wheeled blades, possession of Iso 14001 certification), 21 points to social sustainability aspects (possession of Ohsas 18001 certification), 25 points to other technical aspects with particular reference to the experience of the staff and the age of the wheeled blades.

Contract management

Hera ensures efficiency, cost-effectiveness, neutrality and non-discrimination with regard to procurement

The guidelines with regard to procurement, in accordance 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: in fact, they determine the principles inspiring the Group's procurement for the acquisition of goods, services and work, necessary for the performance of the activities under free market conditions and subject to public works contracts.

Furthermore, in accordance with the provisions contained in the AEEGSI 11/2007 resolution, amended by the subsequent AEEGSI 57/2010 resolution concerning functional separation (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 also guarantees the adoption in the contractual documentation of clauses for the observance of the confidentiality of the commercially sensitive information relating to the activities functionally separated.

The process, launched in 2014, for the progressive alignment of AcegasApsAmga to the contract management formalities envisaged for the Hera Group continued during 2015. AcegasApsAmga, in particular, after having complied in 2014 with the Group guidelines regarding procurement, adopted the procedures relating to both the procurement formalities and the qualification and assessment of suppliers of the Hera Group, as well as the operating instruction Tender contract management. AcegasApsAmga also uses the standard specifications of the Hera Group for the work, services, supplies and supplies with assembly, in the procurement processes.

In 2015, what is more, activities continued for fully developing the opportunities for operating efficiency and sharing of the common needs: examples of this process include: the tender developed for the acquisition of the meter reading services, the new-issue clothing cleaning and hire services, the supply of single-operator waste collection equipment for the stationary skips.

Further action for social responsibility in tenders

During 2015, the Hera Group confirmed the series of measures already implemented in the previous two-year period, so as to effectively implement 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 Sa 8000 standard on attention towards the work conditions in the supply chain.

In particular in 2015, the social protection clause was introduced within the sphere of the public qualification system for the execution of the services for emergency response support activities relating to maintenance of networks, restoration of

connections and accessories of the water and sewage commodities sectors: it was applied to the services in the Emilia East area (mainly corresponding to the province of Bologna) for a tender amount of Euro 10.2 million. The social protection clause 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. The clause is worded as follows: “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 Union (3 July 2015). 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 Spa emergency response services”.

In this afore-mentioned tender, a clause relating to the limitation of the discount percentage was also envisaged, thus formulated: “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.”

Both clauses were also envisaged in other important tenders: for example, in the procedure deriving from the public qualification system for the execution of water, gas, GPL, district heating, electricity meter reading services, within the Hera Spa and AcegasApsAmga sphere, for a tender amount of Euro 6.3 million. With regard to this procedure, the clause relating to the limitation of the discount percentage lays down as follows: “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 20% may present critical elements of sustainability and reductions higher than 25% may be difficult to accept.”

The clause relating to the limitation of the discount percentage has also been included in the tender procedure deriving from the public qualification system for the execution of the scheduled maintenance work, network extension, connections and accessories of the electricity commodity service to be carried out in the area of Imola and Modena, for a tender amount of Euro 4.7 million.

Furthermore, in the six tenders for the awarding of the waste management service in the area managed by Hera Spa (Bologna, Modena, Ferrara, Forlì-Cesena, Ravenna, Rimini), for a total annual tender amount of Euro 125 million, the social protection clause for the workers was envisaged. By virtue of this clause, the company awarded the tender “undertakes to ensure its employees dedicated to the execution of the services, the minimum legal wage no less than that of the national collective labour agreement for waste management services (former Federambiente), including therein, in the event of change in management, the application of Article 6 of the same national collective labour agreement.”

The clause for the request for authorisation to use temporary manpower is also present in the standard specifications for the work and services categories. On the basis of this, the company or any sub-contractors, if in the execution of the services they intend to use professional resources resorting 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, and also 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 Union.

With regard to the social responsibility clauses, AcegasApsAmga has carried out or is carrying out, as of the date of approval of this Report, several tenders containing this clause: besides the tender relating to meter reading as mentioned, these will include, in particular, the tender for the Padua vehicle cleaning services and the tender for the awarding of the ancillary and mass replacement activities on gas, water and electricity meter units. With regard to the vehicle cleaning service, AcegasApsAmga has laid down that in the event of alternation between the companies in the handling of the tender, the company awarded the contract taking over be obliged to use by way of priority in the performance of the services, if available, the workers which were already used indicating in the tender documents both the number and the level and the conditions of the employment agreement of the employees used. The tender has been entrusted to a new company which has taken on the workers used by the previous contractor ensuring the same legal wage. With regard to the service relating to the ancillary activities on meters, AcegasApsAmga has requested that “the new contractors be obliged to make an employment offer consistent with the duration of the tender to the operating staff employed permanently and/or temporarily 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 31 December 2015.

Furthermore, in the tender relating to the extension of the service for the door-to-door collection of municipal waste in the Municipality of Padua and in the tenders relating to the management of the waste collection centres of Padua and Trieste, a social protection clause for the workers has been included. By virtue of this clause, the company awarded the tender “undertakes to ensure its employees dedicated to the execution of the services, the minimum legal wage no less than that of the national collective labour agreement for waste management services (former Federambiente), including therein, in the event of change in management, the application of Article 6 of said national collective labour agreement.” In conclusion, 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

	2013	2014	2015
Value of supplies of services and work (in millions of Euro)	454.0	480.0	495.0
Value ordered from suppliers under monitoring (in millions of Euro)	365.9	386.0	495.0
Value ordered from suppliers under monitoring (%)	81%	80%	100%
Amount ordered during the year from suppliers who have forwarded the monitoring	314.1	360.0	392.0
Value ordered from suppliers who have forwarded the monitoring out of the value of the supplies of services and work (%)	69%	75%	79%

Excluding AcegasApsAmga and Marche Multiservizi

During 2015, an IT instrument was designed and launched on the Sap platform to support the entire supplier accident monitoring process (input of individual accident events and forwarding of the annual summary).

The 2015 supplier monitoring campaign for the first time saw the use of this application for the creation of the summaries; with respect to last year, 689 suppliers replied to the survey (130 in 2014) and the value of the total contracts which were monitored during the survey also increased (Euro 392 million with respect to Euro 360 in 2014). The new IT system used contributes in a significant manner towards increasing the number of suppliers involved. The envisaged objective of achieving 70% of the overall value of the 2015 contracts was fully exceeded (79.2%) and the result was better than that obtained last year (75.1%).

Calculations based on the data received identified a frequency index of the average accident of 22.5 with a severity index of the average accidents of 0.55. It should be highlighted that the first 72 suppliers in terms of turnover (out of a total of nearly 700 replying to the survey) contribute towards 80% of the total accidents reported and 70% of the overall turnover. With regard to this subset of the suppliers, the frequency and severity indexes come to 31.8 and 0.82 respectively. It is emphasised that the frequency index decreased of 30% with respect to that reported in 2014 by 49 suppliers who in 2014 represented 70% of the turnover (frequency index equal to 43.6). The data processed relating to the accidents of suppliers of work and services will be sent to the company contacts for the purposes of an overall assessment of the supplier performances.

The E-procurement system

	2013	2014	2015
Volumes handled via the e-procurement platform	96%	98%	99%
Suppliers with access to the platform	96%	97%	98%

Excluding AcegasApsAmga and Marche Multiservizi

Hera is positioned at national best practice level in the use of evolved e-commerce instruments, by means of the extension since 2011 of the use of the e-procurement

platform also to public tenders: In 2015, Hera negotiated 98.6% of total volumes on this platform.

The use of sub-contracts

With regard to sub-contracting, the procedure introduced since July 2013 was furthered consolidated and perfected in 2015. The authorisation to sub-contract 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 and also, if necessary, the request for prefectural anti-mafia information. All the documentation regarding the request, check and authorisation has been standardised at Group level and is periodically reviewed for up-dates with the reference legislation. All the documentation is made available, via the supplier portal, to the companies and via the Company Information Portal, to all the employees. Furthermore, since 2015 all the standardised documentation and the operational flow for the handling of the sub-contracts are also accessible. In conclusion, the fulfilments necessary for monitoring the activities of the sub-contractor companies at the worksite have also been reviewed and up-dated (supplier monitoring check list), along with the obligations for permitting correct and accurate administrative reporting.

The Group standard specifications envisage that the contractor pays the sub-contractors and that the former provides the Works Director with suitable proof within 20 days after payment by the Hera Group of each progress report. In the absence of proof, the Works Director suspends the payment of the subsequent progress reports until payments are up-to-date. This method is alternative to the direct payment of the sub-contractors which, as per standard specifications and reference legislation, can be activated during the course of the work. By means of the formalities envisaged by Article 118.3 of Italian Legislative Decree No. 163/2006.

In 2015 approximately Euro 27 million was sub-contracted out, equal to 5% of the amount of work and services outsourced by the Group (excluding Marche Multiservizi).

Times of payment as per contract

The payment times for the supplies during 2015 came to 113 days, down slightly with respect to the 2014 figure (excluding Marche Multiservizi).

Supplier relations

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, which takes place via the Vendor Management system and the integrated e-procurement platform for the on-line management of procurement. In 2015, there were around 14 thousand requests for information received: around was 99% sorted out in the timescales envisaged by company procedures.

During 2015 the customary discussion encounters continued with trade associations and representatives (for example, Cna and industrial associations/coop of Ravenna), along with participation in the meetings of the local multistakeholder committees HeraLab further to requests for in-depth analysis into the Group procurement and supplier relationship system.

Three training/disclosure courses addressing suppliers active with the Group were organised in 2015 to illustrate the methods for handling anomalies detected in the field during the monitoring of the Works Directors and the company contacts, and to describe the sub-contracting management process and the handling of the mandatory documents necessary for operating at the relevant work sites (services and works).

As usual, at the beginning of 2015 the 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 2015. With regard to the analysis of the data collected, the work group active in the meetings confirmed the validity of the procedures defined for monitoring. The encounters also pertained to the ways to promote employment projects.

Litigation with suppliers

The number of disputes is falling: at the end of 2015, there were 14 disputes pending with the suppliers, compared with 21 at the end of 2014. The proceedings activated in 2015 came to seven and mainly concerned tender aspects.

Case studies for suppliers

Operations within local communities

Lead-on employment generated by Hera: over 5,600 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), 8,553 employees were taken on under permanent and temporary employment contracts.

In order to globally assess the social repercussions on the country, however it is useful to consider the employment of suppliers who procure sundry goods and services or support certain stages of the company process.

Lead-on employment can be estimated as the portion of the workforce of the suppliers which carries out activities on behalf of the Hera Group. In 2015, lead-on employment generated 5,646 jobs.

The figure was obtained by analysing the financial statements of the Group's leading 345 suppliers which cover 74% of the volume purchased in 2015. 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.

Qualification and selection of suppliers

Sa 8000 certification: the supplier monitoring plan

The supplier monitoring procedures were also reviewed in 2015 in observance of the principles and requirements of the SA 8000 standard.

During the year, 60 questionnaires for Sa 8000 assessment were received from suppliers deemed as critical in terms of activities and contractual amounts. The documents were examined and steps were taken to request clarification and additions for incomplete or missing parts.

In 2015, six Sa 8000 audits were carried out directly at the premises of the suppliers: in three cases, it became necessary to carry out a second check to control the effective launch of the improvement process agreed on and the activation of the corrective action. Four audits were carried out directly at the Hera Group worksites.

The audits at the premises of suppliers were carried out by certified external personnel with references, so as to ensure a transparent and independent process adopted by the Group.

An additional specific training course was provided in 2015 for around a thousand company contacts of the various technical areas who see to the daily monitoring of the suppliers: the focus was followed by around 600 participants including Workers Directors, company contacts and assistants for Hera Spa and subsidiaries, and by just under 300 participants for AcegasApsAmga.

Supplier relations

Hera and its suppliers: the second convention in 2015

The second convention *Teniamo il passo* took place in December 2015, organised by the Hera Group with its leading suppliers.

The event saw the participation of the Chairman and the Managing Director (CEO) of the Hera Group and was as an important occasion for discussion. The purpose of the encounter is to grow together, by means of 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 monitoring the services performed and on the future initiatives envisaged in this sphere, reported in these financial statements, were illustrated to the numerous suppliers invited, corresponding to 59% of the value of the 2015 supplies.

The 2014 convention had shown Hera's desire to structure with the suppliers a method which provides them with incentive to generate solutions for improving quality and efficiency of the supplies, with the aim of sharing the extraction of the greatest value possible in terms of quality of the service and cost effectiveness of the relationship. The model was defined in 2015: the contact, management and reporting methods were outlined for the spontaneous manifestations proposed, both in autonomous form by the suppliers and as requested by the Group, for specific ventures and/or projects. In 2015, four discussion groups were set up regarding various aspects: in particular, with regard to their economic and operational importance, mention is made of the initiatives developed in the sphere of waste management services (aimed at the identification of the process inefficiencies and reduction of the downtime in the performance of the services) and network maintenance models (aimed at the optimisation of the timescales for withdrawal of the materials and the re-use of the excavation earth). Mention should also be made of ventures undertaken with a number of suppliers of goods so as to technologically supplement the Group purchasing processes with the supplier sales portals, seeking to achieve both the objective of reducing the warehouse stock and reducing the purchasing times for the same. These ventures will be developed and analysed further in 2016.

The first Innovation Day in Ferrara

Young entrepreneurs and Hera came together during Innovation Day to build possible forms of collaboration. The event, organised on 11 February 2016 in Ferrara in collaboration with Aster, Emilia Romagna Startup, Sipro and Innovami, brings together the entity of a large industrial group with 13 start ups in the area, which had the opportunity to present innovative ideas and projects to Hera managers. Innovation Day, also conceived on the basis of the proposals of the Ferrara and

Bologna HeraLabs, falls within the initiatives which Hera is furthering to support local start ups. Together with the partners of the event, Hera has identified the start ups in Emilia Romagna with products and services of potential interest for Hera. The young entrepreneurs took turns on the stage to present, at a rapid pace, their innovative business proposal. Smart home and smart city, monitoring and control of remote devices via web, big data, micro algae and enzymes to be used in the bio-digestion chain are some of the innovations presented by the 13 start ups now being assessed by Hera.

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 Spa 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.

It is widely distributed: presentation event, 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. Special focus was given 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 2015 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 was updated in order to implement the new rules introduced by the new Guidelines GRI G4 and in the corporate organisation.

The social and environmental sustainability objectives set out were defined with reference to the planning and control instruments used by the Group: Business Plan 2015-2019, Budget 2016 and Balanced Scorecard 2016. These interconnected instruments contain sustainability objectives which have an impact on stakeholders. In particular, the Business Plan includes 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.

The results of the HeraLABs (local multistakeholder councils) were analysed as well as the press review and the Group's presence in social media, the annual customer satisfaction survey, and the biennial internal climate survey. HeraLABs were set up in six local areas of Emilia-Romagna, whereas the other instruments concerned all of the local areas served by the Group.

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 6 labs carried out in 2015 (in which 69 stakeholder representatives took part) were:

- attention to users suffering economic difficulties (all areas),
- Waste treatment plant environmental impact (mainly in Imola),
- Energy efficiency
- Local development and local suppliers (Ravenna area),
- separate waste collection and reuse of waste, management of the waste collection service (quality and service costs)
- Urban decorum (Bologna area).

Compared to the previous year, a reduction was reported in the relevance of topics regarding the understanding of the bills and commercial offers (Imola-Faenza and Ravenna area) and the Seawater Protection Plan in Rimini.

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). 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 impacts of new plants (especially in Imola), management of the glass recovery sector and district heating tariffs.

The annual customer satisfaction survey assesses the quality of services offered and customers' satisfaction with the Group. The survey also highlights the topics that are of particular importance in determining customers' overall satisfaction. These topics are: the presence and level of branch services, online services and gas service safety and reliability.

The biennial employee satisfaction survey draws attention, at Group level, to matters of major importance in determining employees' overall satisfaction. The analysis conducted in 2015 highlighted the following important topics: remuneration, internal communication, relations with colleagues and coherence with values.

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. Some topics are regarded as material topics only at local level: district heating in Ferrara and Imola and the Servola purifier in Trieste.

These aspects are reported in the Sustainability Report 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 2015 materiality analysis

Stakeholders	Aspect
Customers	Attention to users suffering economic difficulties (see page 67)
	Energy efficiency and Energy savings (see page 167)
	Health & Safety (H&S) and trustworthiness of the gas service (see page 78)
	Presence at branches (see page 53)
	Online services (see page 88)
Workforce	Salaries and incentives (see page 126)
	Internal communication (see page 140)
	Professional development (see page 115)

Stakeholders	Aspect
The environment and future generations	Environmental impact of systems (new and existing) (see page 204)
	Separate waste collection and waste prevention (see page 197 e 196)
	Quality and costs of waste collection and city integrity service (see page 191)
Suppliers	Local development (see page 263)
	Supplier selection procedures (see page 265)

SA8000 reporting

This Report is the tool for external communication and for stakeholder engagement support set out in the SA8000 standard. Hera Spa 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.

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 (holding of 50%) 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 Spa	AcegasApsAmga Spa	Herambiente	Hera Comm
<ul style="list-style-type: none"> Acantho Spa Black Sea Technology Company Group* Esil S.c.a.r.l. Hera Luce Srl Hera Trading Srl Marche Multiservizi Spa Medea Spa Uniflotte Srl 	<ul style="list-style-type: none"> AcegasAps Service Srl Insigna Srl* Rila Gas* SiGas* Sinergie Spa* Tri-Generazione Srl* 	<ul style="list-style-type: none"> ASA S.c.p.a. Biogas 2015 Srl Feronia Srl Frullo Energia Ambiente Srl Herambiente Servizi Industriali Srl Hestambiente Srl Neweco Srl Rew Trasporti Srl Sviluppo Ambiente Toscana Srl Waste Recycling Spa 	<ul style="list-style-type: none"> Amga Calore & Impianti Srl Amga Energy & Services Srl Fucino Gas Srl Hera Comm Marche Srl Hera Services Energy Srl

*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 Spa, 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 19 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, 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, Giuseppe Milici and Gianluca Principato.

Thanks to all the 124 persons involved in the preparation of this 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 adopts the Comprehensive option, which corresponds to complete application of the guideline requirements.

Annexes

Topics of the Sustainability Report consistent with the United Nations Sustainable Development Goals

Goal	Target	Section of the report
Goal 4: Quality education	Ensure that all learners acquire the knowledge and skills needed to promote sustainable development	Environmental education (see page 218)
Goal 5: Gender equality	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Diversity and welfare (see page 111)
Ob.6: Clean water and sanitation services	Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and increasing recycling and safe reuse globally.	Water treatment (see page 176)
	Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Water production and distribution (see page 173)
	Implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.	Water production and distribution (see page 173) Water treatment (see page 176)
Goal 7: Sustainable and affordable energy	By 2030, increase substantially the share of renewable energy in the global energy mix.	Energy production (see page 159)
	By 2030, double the global rate of improvement in energy efficiency.	Energy efficiency and public lighting (see page 167)
Goal 8: Decent work and economic growth	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors.	The economic value for our stakeholders (see page 38)
	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship.	The economic value for our stakeholders (see page 38) Qualification and selection of suppliers (see page 265) Lead-on employment generated by Hera (see page 279) Further action for social responsibility in tenders (see page 274)
	Protect labour rights and promote safe and secure working environments for all workers	Health and safety (see page 121 and 274)
Goal 9: Innovation and infrastructure	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.	The waste disposed of (see page 204)

Goal	Target	Section of the report
	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and increasing the number of research and development workers per 1 million people, and public and private research and development spending.	Innovative projects (see page 96, 141, 236, 279)
Goal 11: Sustainable cities and human settlements	Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	The waste collected (see page 191) The waste disposed of (see page 204)
Goal 12: Responsible consumption and resources	Achieve the sustainable management and efficient use of natural resources	Water production and distribution (see page 173)
	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	The waste disposed of (see page 176)
	Substantially reduce waste generation through prevention, reduction, recycling and reuse	The waste collected (see page 191) Separate waste collection (see page 197)
	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Management of sustainability (see page Errore. Il segnalibro non è definito.)
	Promote sustainable purchasing procedures	The selection of suppliers (see page 265)
Goal 13: Combating climate change	Integrate climate change measures into national policies, strategies and planning.	Greenhouse gas emissions (see page 189)

The table shows only the Sustainable Development Goals and the targets related to topics in this sustainability report.

Level of fulfilment of commercial quality standards according to service (chapter I Customers).

Compliance with gas distribution quality standards (final customers)

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Estimates for simple work	15	95.5%	96.2%	97.0%	7,704
Execution of simple work	10/15	93.1%	95.4%	92.2%	4,866
Estimates for complex work	40	98.3%	98.7%	96.2%	314
Supply activation	10/15	99.5%	99.5%	99.4%	61,977
Supply deactivation	5/7	98.0%	98.4%	99.0%	42,462
Reactivation after late payment	2	99.1%	99.3%	98.4%	18,647
Reactivation in the event of disconnection due to potential danger	2	99.4%	99.8%	99.5%	1,925
Punctuality bracket for agreed appointments	2 hours	99.8%	99.8%	99.7%	111,009
Punctuality bracket for postponed appointments	2 hours	99.7%	99.8%	99.8%	21,229
Submission of metering unit control results to the vendor	10	98.6%	24.1%	70.4%	351
Frequency of measurement	**	99.5%	99.8%	99.8%	1,560,389
Total		99.4%	99.7%	99.7%	1,830,986

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)	2013	2014	2015	Number of services provided (2015)
Provision of technical data obtained through readings, requested by vendor	10	94.5%	97.4%	97.8%	372
Provision of other technical data requested by the vendor	15	93.1%	96.1%	94.2%	1,730
Total		93.2%	97.1%	94.8%	2,102

Compliance with electricity distribution quality standards (final customers)

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Supply estimate	20/40	92.0%	90.8%	98.7%	3,245
Execution of simple work	15/30	97.5%	98.4%	98.3%	1,402
Supply activation	5	96.4%	95.6%	97.5%	16,947
Supply deactivation	5/7	98.8%	99.3%	99.2%	12,781
Control of metering unit	15	86.7%	48.5%	54.3%	94
Voltage control	30	30.4%	30.8%	40.0%	13
Supply reactivation following suspension due to late payment	1	98.9%	98.6%	98.5%	9,492
Punctuality bracket for agreed appointments	2 hours	97.2%	99.4%	99.6%	6,500

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Punctuality bracket for postponed appointments	2 hours	96.6%	99.5%	99.5%	1,685
Supply recovery following metering unit malfunction	3/4 hours	95.1%	82.4%	91.2%	679
Estimates for works on LV network, temporary connections	10	-	66.4%	93.1%	533
Execution of simple work for temporary connections (up to 20 metres from plants)	5	-	98.4%	98.7%	381
Execution of simple work for temporary connection (over 20 metres from plants)	10	-	100.0%	100.0%	16
Replacement of damaged metering system	15	-	100.0%	100.0%	44
Recovery of correct supply potential difference value	50	-	80.0%	20.0%	5
Total		97.4%	97.0%	98.3%	53,817

Compliance with electricity distribution quality standards (sales company)

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Provision of technical data obtained through readings, requested by vendor	10	92.6%	93.3%	96.9%	228
Provision of other technical data requested by the vendor	15	96.6%	83.0%	88.7%	861
Total		96.3%	84.5%	90.4%	1,089

Compliance with gas and electricity sales quality standards

%	Standard (calendar days)	2013	2014	2015	Number of services provided (2015)
Response to claims	40	98.1%	98.2%	97.7%	14,417
Billing adjustments	90	99.5%	99.7%	99.7%	691
Double billing adjustments	20	87.8%	93.7%	91.1%	305
Total		97.9%	98.2%	97.6%	15,413

Data relating to Hera Comm.

Compliance with water service quality standards

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Estimates for execution of simple work (water system)	15	96.2%	97.1%	98.8%	4,350
Estimates for execution of simple work (sewer system)	15-40	97.4%	97.6%	98.3%	403
Estimates for execution of complex work (water system)	30-40	99.0%	99.4%	99.7%	667

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Estimates for execution of complex work (sewer system)	30-40	86.4%	90.9%	100.0%	46
Water connections for measures related to simple works	15	97.5%	97.5%	97.2%	2,909
Sewer connection for measures related to simple work	30-40	98.5%	99.0%	99.2%	378
Service supply activation and transfer	7-10	99.8%	99.7%	99.9%	26,049
Service supply termination	5	98.1%	98.5%	98.9%	21,100
Supply reactivation following suspension due to late payment	2	99.9%	99.8%	99.7%	7,722
Punctuality bracket for appointments agreed with the user	2-3 hours	99.9%	100.0%	99.9%	51,780
Punctuality bracket for appointments postponed with the user	2-3 hours	99.8%	99.9%	99.8%	7,844
Billing adjustments	45-90	100.0%	100.0%	100.0%	900
Response to claims	20-40	99.4%	98.9%	97.9%	7,627
Total		99.3%	99.4%	99.5%	131,775

The Service Charters applicable to Padova, Pesaro and Trieste set out compensation payable upon request from each customer, and therefore they are not indicated in the table above.

Compliance with district heating quality standards

%	Standard (working days)	2013	2014	2015	Number of services provided (2015)
Estimates for execution of simple work	15	100%	66.7%	100.0%	3
Estimates for execution of complex work	80	100%	100%	100.0%	89
Supply activation	10	99.3%	99.4%	99.5%	436
Supply deactivation at the customer's request	5	96.9%	97.7%	98.3%	232
Supply reactivation following suspension due to late payment	2	100%	97.8%	100.0%	29
Punctuality bracket for personalised and non-personalised appointments	2 hours	100%	100%	99.7%	674
Control of correct consumption metering	30	100%	100%	100.0%	1
Submission of results regarding the control of correct consumption metering	20	100%	100%	100.0%	0
Total		99.3%	99.2%	99.5%	1,464

Data relating to Hera Spa

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	2013	2014	2015
Minimum percentage of replies to written requests for information sent within the maximum time limit of 30 calendar days	95%	98%	98%	99%
Minimum percentage of motivated replies to written requests for billing corrections within the maximum time limit of 40 calendar days	95%	96%	98%	97%

Data relating to Hera Comm.

Detail of the information present in the Environment and Future Generations chapter, by plant.

Net electricity produced in the Group's plants (MWh)

Plant	2013	2014	2015
Coriano - Rimini	79,204	77,999	86,647
Frullo Granarolo - Bologna (Frullo Energia Ambiente)	138,472	129,965	130,598
Canal Bianco, Ferrara	51,614	62,649	63,160
Grigioni Forlì	57,906	61,218	65,958
Strada Romea km 2.6 Ravenna	30,226	21,794	18,034
Comparto Area 2 Cavazza Modena	119,163	127,708	132,705
Special Waste Ravenna	14,604	13,221	11,971
Padova	117,838	105,504	109,387
Trieste	100,146	105,454	99,179
Pozzilli - Isernia	98,183	92,302	81,714
<i>Total waste-to-energy plants</i>	<i>807,355</i>	<i>797,813</i>	<i>799,353</i>
Galliera landfill - Bologna	13,939	12,825	11,810
S. Agata Bolognese landfill - Bologna	8,538	6,536	5,032
Marche Multiservizi landfills	17,257	17,999	16,233
Third-party plants at Hera landfills	44,469	33,185	
Digestion of livestock waste and wastewater, Spilamberto - MO	0	0	0
Anaerobic digestion, Cesena	6,989	6,879	4,428
Anaerobic digestion, Cà Baldacci Rimini	5,064	6,817	7,502
Anaerobic digestion, Voltana di Lugo - Ravenna	5,491	7,465	7,002
Bologna treatment plant	1,744	4,949	4,299
Forlì treatment plant	653	539	494
Savignano sul Rubicone treatment plant - Forlì-Cesena	0	566	100
Cesena treatment plant	1,027	886	435
<i>Total biogas from landfills, anaerobic digestion and treatment plants</i>	<i>105,171</i>	<i>98,646</i>	<i>81,616</i>
Faenza - Ravenna (Enomondo)	71,260	69,727	72,433
<i>Total biomass plant</i>	<i>71,260</i>	<i>69,727</i>	<i>72,433</i>
Bologna Freight Village 1 (Hera Energie Rinnovabili)	200	225	249
Bologna Freight Village 2 (Hera Energie Rinnovabili)	1,171	1,159	1,233
Bologna Freight Village 3 (Hera Energie Rinnovabili)	1,094	1,085	1,120
Bologna Freight Village 4 (Hera Energie Rinnovabili)	1,156	1,159	1,248
Petriolo - Macerata (Hera Energie Rinnovabili)	1,311	1,282	1,341
Alfianello - Brescia (Hera Energie Rinnovabili)	1,205	1,163	1,180
Copparo - Ferrara (Hera Energie Rinnovabili)	1,241	1,215	1,351
Ghirlandina Solare - Modena (Hera Energie Rinnovabili)	1,202	1,161	1,213
Faenza - Ravenna (Hera Energie Rinnovabili)	1,338	1,343	1,396
Mordano - Bologna	219	220	232
Voltana di Lugo - Ravenna	330	340	341

Plant	2013	2014	2015
Voltana di Lugo - Ravenna (Herambiente)	301	297	346
Pozzilli - Isernia (Herambiente)	337	618	668
Ravenna Site	85	122	100
AcegasApsAmga Solar photovoltaic	90	87	58
Solar photovoltaic with peak capacity below 50 kW	85	52	58
<i>Total solar photovoltaic</i>	<i>11,365</i>	<i>11,529</i>	<i>12,120</i>
Cavaticcio Bologna	0	1,644	1,523
Para 1 Verghereto - Forlì-Cesena (Hera Energie Rinnovabili)	252	160	0
<i>Total hydroelectric</i>	<i>252</i>	<i>1,803</i>	<i>1,523</i>
Casalegno Imola - Bologna	276,889	175,897	294,218
Castelbolognese - Ravenna	503	743	626
Ecocity Casalecchio di Reno - Bologna	7,924	7,777	7,710
Fossolo Bologna	460	244	0
Acer Barca Bologna	19,080	9,005	11,161
Bologna Site	19,255	19,422	15,556
Monterenzio - Bologna	328	308	167
S. Biagio Casalecchio di Reno - Bologna	900	1,089	1,723
Ippodromo Cesena	3,388	2,804	2,930
Bufalini Cesena	6,205	11,624	11,754
Aranova Ferrara	204	0	0
Giardino Modena	15,123	12,915	11,632
3rd PEEP Modena	4,314	4,597	4,085
Molino Rosso Imola - Bologna	392	140	907
Padova	2,077	2,013	2,114
Cogeneration operated as a service	137,820	142,265	152,449
<i>Total Cogeneration</i>	<i>494,862</i>	<i>390,843</i>	<i>517,032</i>
Bologna	2,845	2,248	2,172
Forlì	2,633	1,367	1,989
Ravenna	2,860	2,145	2,159
Padova	2,219	4,330	2,995
<i>Total turboexpanders</i>	<i>10,558</i>	<i>10,090</i>	<i>9,315</i>
Total	1,500,817	1,383,776	1,493,392

Thermal energy produced in the Group's plants (MWh)

Plant	2013	2014	2015
Bologna (Frullo Energia Ambiente)	51,288	45,207	52,285
Ferrara	82,257	61,252	56,774
Forlì	8,918	8,995	10,654
<i>Total waste-to-energy plants</i>	<i>142,463</i>	<i>115,454</i>	<i>119,713</i>
Faenza - Ravenna (Enomondo)	98,276	100,822	109,580
<i>Total biomass plant</i>	<i>98,276</i>	<i>100,822</i>	<i>109,580</i>
Ferrara geothermics	71,415	78,527	73,253
<i>Total geothermal</i>	<i>71,415</i>	<i>78,527</i>	<i>73,253</i>
Bologna treatment plant	1,307	4,266	3,533
<i>Total treatment plant biogas</i>	<i>1,307</i>	<i>4,266</i>	<i>3,533</i>
Casalegno Imola - Bologna	101,028	71,204	98,657
Castelbolognese - Ravenna	466	761	814
Ecocity Casalecchio di Reno - Bologna	8,197	7,759	7,903
Fossolo Bologna	643	338	0
Acer Barca Bologna	19,773	10,899	16,336
Bologna Site	10,591	10,290	10,493

Plant	2013	2014	2015
Monterenzio - Bologna	486	361	114
S. Biagio Casalecchio di Reno - Bologna	1,036	1. 460	2,067
Ipermercato Fiera Forlì	-	-	
Ippodromo Cesena	4,008	3,431	3,624
Bufalini Cesena	7,992	13,576	
Aranova Ferrara	171	-	13,743
Giardino Modena	12,875	12,096	10,552
3rd PEEP Modena	4,200	4,694	4,396
Molino Rosso Imola - Bologna	563	216	916
Padova	7,899	6,697	2,586
Cogeneration operated as a service	131,145	142,463	135,039
<i>Total cogeneration</i>	<i>311,074</i>	<i>284,785</i>	<i>307,240</i>
<i>Total thermoelectric power stations</i>	<i>233,963</i>	<i>199,806</i>	<i>246,513</i>
Total	843,275	791,167	866,639

Cogeneration plants for district heating (2015)

Plant	Location	Nominal installed electric power (MW)	Net electricity generated (MWh)	Thermal energy produced (MWh)
Casalegno	Imola (Bologna)	84.5	294,218	98,657
Cogen Barca	Bologna	6.3	11,161	16,336
Headquarters	Bologna	4.9	15,556	10,493
Ecocity	Casalecchio di Reno (Bologna)	4.0	7,710	7,903
Quartiere Giardino	Modena	3.6	11,632	10,552
Fossolo	Bologna	2.1	0	0
Bufalini	Cesena	1.9	11,754	13,743
Ippodromo	Cesena	1.7	2,930	3,624
3rd PEEP	Modena	1.1	4,085	4,396
5 other smaller plants	Bologna and Ferrara	2.8	3,423	3,911
Total		112.9	362,470	169,615

Cogeneration plants operated as a service (2015)

Plant	Location	Nominal installed electric power (MW)	Net electricity generated (MWh)	Thermal energy produced (MWh)	RISP - Primary energy saving (MWh)	PES - Primary energy saving (%)
Safta	Piacenza	7.3	23,754	13,702	14,992	18.5%
Ceramiche CCV	Castelvetro (Modena)	4.3	27,959	65,339	45,163	26.2%
Orogel	Cesena	4.0	21,592	10,010	10,279	18.0%
Cerindustries	Castelbolognese (Ravenna)	0.8	21,089	10,777	13,120	20.9%
Granarolo	Granarolo (Bologna)	2.4	14,738	8,111	7,466	16.9%
Magama	S.Zaccaria (Ravenna)	3.6	10,736	6,738	5,291	15.4%
Covalpa	Celano (L'Aquila)	1.6	8,307	5,889	3,975	13.9%
Centroplast	Meldola (Forlì-Cesena)	1.2	6,070	3,546	2,568	14.6%
Villani	Modena	1.0	6,549	5,243	4,421	16.0%
Cafar	Gatteo (Forlì-Cesena)	2.0	4,421	2,617	2,044	15.3%
Fox Bompani	Ostellato (Ferrara)	0.7	754	377	374	17.6%
Palazzo Pepoli	Bologna	0.1	215	417	153	6.1%
Terme di Riolo	Riolo Terme (Ravenna)	0.1	584	545	201	8.4%
Ducati	Bologna	1.8	4,012	763	2,047	15.0%
MB Mangimi	Forlì	1.0	828	2,706	808	21.2%
Total		31.9	151,608	138,508	112,902	

Average annual concentrations at the main plants (2015)

mg/l	Body of water receiving the treated wastewater	COD (limit: 125 mg/l)	BOD5 (limit: 25 mg/l)	TSS (limit: 35 mg/l)	Ammoniacal nitrogen (limit: 15 mg/l)	Volumes treated (thousands of m³)
Bologna IDAR*	Navile canal	32.4	10.4	9.8	5.5	45,216
Anzola (Bologna)	Scolo Sanguinettola Bassa or Scolo Lavinello	21.9	9.8	8.8	2.0	1,271
Calderara (Bologna)	Scolo Dosolo	34.2	10.2	15.0	1.0	1,103
Ozzano (Bologna)	Rio Marzano	23.9	9.5	9.4	1.8	437
S. Giovanni (Bologna)	River Reno and San Giovanni Canal	30.9	10.6	9.8	2.2	184
Ferrara Gramicia	Po di Volano	32.2	6.4	10.1	0.9	18,837
Cesena	Rio Granarolo	17.5	10.0	7.4	1.9	6,996

mg/l	Body of water receiving the treated wastewater	COD (limit: 125 mg/l)	BOD5 (limit: 25 mg/l)	TSS (limit: 35 mg/l)	Ammoniacal nitrogen (limit: 15 mg/l)	Volumes treated (thousands of m ³)
Cesenatico (Forlì-Cesena)	Scolo Madonnina	58.6	11.0	13.0	0.0	4,982
Forlì	Scolo Cerchia	25.4	10.0	7.1	1.1	18,485
Savignano (Forlì-Cesena)	River Rubicone	30.8	10.1	10.7	0.0	6,256
Faenza Formellino (Ravenna)	River Lamone	40.6	10.6	8.6	2.3	8,642
Imola Santerno (Bologna)	River Santerno	27.0	10.0	55.0	0.5	35,524
Modena	Naviglio Canal	19.4	5.0	9.1	0.6	15,944
Ravenna	Cupa and Scolo Fagiolo Consortium canal	32.7	11.5	12.6	4.9	1,792
Alfonsine (Ravenna)	Scolo Sabbioni	25.3	10.0	10.7	1.0	1,213
Bagnacavallo (Ravenna)	Scolo Cappuccine	29.5	10.7	14.6	2.2	7,048
Cervia (Ravenna)	Cupa Consortium canal	32.3	10.2	12.2	2.3	1,201
Lido di Classe (Ravenna)	Pergami Canal	28.7	10.0	11.4	1.0	7,304
Lugo (Ravenna)	Scolo Arginello	41.9	10.6	11.6	2.7	1,047
Marina di Ravenna (Ravenna)	Scolo Piombone	28.2	10.0	12.2	1.3	1,865
Russi (Ravenna)	Scolo Pisinello	23.9	10.0	7.6	1.0	1,792
Rimini Marecchiese	River Marecchia	30.2	11.0	8.1	5.5	8,239
Rimini S. Giustina	River Marecchia	27.9	10.0	8.8	1.4	29,642
Riccione (Rimini)	Rio Marano	37.4	10.1	17.1	1.2	6,125
Cattolica (Rimini)	Torrente Ventina	26.0	10.0	9.7	1.6	6,959
Bellaria Igea Marina (Rimini)	River Uso	21.5	10.0	7.0	1.3	980
Pesaro Borgheria (Pesaro Urbino)	River Foglia	25.0	7.0	10.0	0.4	6,349
Ca' Nordio (Padova)	Roncajette Canal	10.8	6.6	5.0	1.0	21,317
Guizza (Padova)	Scolo Amolari	12.0	7.0	5.0	4.2	1,075
Abano Terme (PD)	Scolo Rialto	12.0	7.0	2.2	0.6	2,051
Codevigo (Padova)	River Brenta	10.3	10.3	6.1	1.1	3,696
Zaule (Trieste)	Gulf of Trieste	35.0	8.0	18.0	0.9	8,406
Servola (Trieste)	Gulf of Trieste	98.0	32.0	46.0	17.9	33,108
Total volume treated						129,739

The volume treated by the 33 plants listed in the table covers 77% of the total wastewater treated.

*Bologna's plant limits are different from the regulation: COD 160 mg/l; BOD5 40 mg/l; SST 80 mg/l; ammoniacal nitrogen 25 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 (2015)

mg/Nm ³	Limits pursuant to Legislative Decree 133/2005	Bologna (lines 1 and 2)	Faenza (Enomondo)	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	1.0	0.7	0.1	0.4	1.3	0.5	0.2	0.3	0.4	0.5	1.6
Hydrochloric acid	10	0.1	3.4	0.6	2.5	2.1	0.4	0.1	2.2	6.1	1.1	0.9
Nitric oxide	200	95.1	40.4	47.4	42.8	63.5	137.5	82.4	65.1	157.8	50.1	147.8
Sulphur oxides	50	0.7	0.8	0.6	1.5	0.8	0.4	4.4	2.2	3.6	0.8	1.9
Carbon monoxide	50	12.5	4.7	8.4	3.2	8.0	3.6	3.7	6.3	5.5	7.0	13.1
Hydrofluoric acid	1	0.01	0.19	0.1	0.1	0.1	0.1	0.1	0.06		0.03	0.33
Total Organic Carbon	10	2.8	0.1	0.8	1.1	1.2	0.6	0.5	0.7	0.3	0.8	0.6
Total metals	0.5	0.010	0.100	0.008	0.012	0.014	0.025	0.055	0.055	0.007	0.037	0.053
Aromatic polycyclic hydrocarbons	0.01	0.00000	0.00041	0.00000	0.00000	0.00001	0.00001	0.00007	0.00001	0.00014	0.00003	0.00005
Dioxins and furans (ng _{TE} /Nm ³)	0.1	0.00075	0.00795	0.00050	0.00035	0.00101	0.01018	0.00130	0.00109	0.00800	0.00064	0.00333
Cadmium and Thallium	0.05	0.00041	0.00060	0.00045	0.00038	0.00047	0.00053	0.00143	0.00107	0.00236	0.00658	0.01133
Mercury	0.05	0.0012	0.0027	0.0002	0.0005	0.0007	0.0007	0.0003	0.0007	0.0021	0.0002	0.0017

The legal limits refer to Italian Legislative Decree No. 133/2005. For particulates, hydrochloric acid, nitrogen oxides, sulphur oxides, carbon monoxide, hydrofluoric acid, and total organic carbon, the values are the average continuously measured values and the limits are those for daily averages. For all other components, the values are 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 tonnes)

Plant	ISO 14001	EMAS	2013	2014	2015
Coriano - Rimini	x	x	139.8	138.4	147.4
Frullo Granarolo - Bologna (Frullo Energia Ambiente)	x	x	199.1	216.9	213.8
Canal Bianco Ferrara	x	x	129.9	129.9	130.0
Grigioni Forlì	x	x	120.0	119.9	119.4
Strada Romea km 2.6 Ravenna	x	x	47.8	50.5	51.7
Comparto Area 2 Cavazza Modena	x	x	190.8	202.9	206.8
Special Waste Ravenna	x	x	38.3	38.3	40.0
Faenza - Ravenna (Enomondo)	x		95.7	63.8	66.1
Pozzilli - Isernia (Energionut)	x	x	93.0	93.5	90.2
Padova waste-to-energy plant	x	x	186.7	183.5	167.5
Trieste waste-to-energy plant	x		169.5	165.0	157.4
<i>Total waste-to-energy plants and biomass plant</i>			<i>1,410.6</i>	<i>1,402.6</i>	<i>1,390.3</i>
Busca - Forlì-Cesena	x	x	0.0	0.0	0.0
Strada Romea km 2.6 (1C) Ravenna	x	x	98.0	131.1	219.8
Lugo - Ravenna	x	x	114.7	52.8	14.7
Galliera - Bologna	x	x	52.9	0.0	0.0
Tre Monti Imola - Bologna	x	x	243.4	246.1	244.6

Plant	ISO 14001	EMAS	2013	2014	2015
Il Pago Firenzuola - Florence	x	x	79.1	76.3	7.3
Strada Romea km 2.6 ex2B super Ravenna	x	x	0.0	1.5	0.0
Strada Romea km 2.6, ex2B super TN Ravenna	x	x	92.6	86.2	83.5
Zocca - Modena	x	x	11.1	92.6	0.0
Castelmaggiore - Bologna (A.S.A.)	x	x	166.4	150.1	140.8
S. Agata Bolognese - Bologna	x		22.5	21.5	7.4
Finale Emilia - Modena (Feronia)			223.6	124.8	17.5
Earthquake emergency storage Landfill Finale Emilia - MO (Feronia)			89.1	14.8	0.5
Civitella - Forlì-Cesena	x	x	0.0	0.0	0.0
Sommacampagna - (VR)					4.1
Loria - (TV)					10.3
Sogliano (external)					22.1
Marche Multiservizi landfills	x		117.3	134.8	135.0
Third-party landfills					10.8
Other plants			29.6	0.0	0.0
<i>Total landfills</i>			<i>1,252.2</i>	<i>1,137.2</i>	<i>918.4</i>
Coriano - RN	x	x	93.3	90.3	78.9
Modena	x		82.8	89.0	72.3
Mordano - Bologna	x	x	49.1	39.9	32.6
Akron Lugo-Cotignola (RA)	x	x	85.9	73.2	57.2
Ferrara	x		65.5	68.2	55.8
Bologna			-	34.3	66.7
Other external plants			1.5	1.7	11.6
Tavullia (Marche Multiservizi)			-	49.1	57.5
<i>Total selection plants</i>			<i>378.1</i>	<i>445.7</i>	<i>432.6</i>
Busca anaerobic digester - Forlì-Cesena			47.5	43.8	45.8
S. Agata Bolognese - Bologna	x		65.0	63.2	59.4
Stabilisation plant S. Agata Bol.se - Bologna	x		49.1	15.9	0.0
Nuova Geovis Ozzano (BO)	x		27.5	27.2	27.9
Voltana di Lugo - Ravenna	x	x	55.3	71.4	72.8
Cà Baldacci Rimini	x	x	49.7	63.1	61.7
Ostellato - Ferrara	x		20.5	29.1	30.9
Stabilisation plant Ostellato - Ferrara	x		74.3	74.3	73.9
WDF stabilisation plant - Ravenna	x		21.5	19.8	21.9
Anaerobic digester Spilamberto - Modena			0.0	0.0	0.0
Tre Monti Imola stabilisation plant - Bologna	x	x	68.7	66.2	57.8
Faenza - Ravenna (Enomondo)	x		28.1	0.0	0.0
Stabilisation plant (Marche Multiservizi)	x		20.1	3.2	0.0
Other external plants					3.0
<i>Total composting and stabilisation plantsò</i>			<i>527.8</i>	<i>477.2</i>	<i>455.1</i>
Forlì chemical phys. plant	x	x	1.8	0.0	0.0
Ravenna chemical phys. biological plant	x	x	174.1	187.0	188.1
Disidrat Ravenna sludge treatment plant	X	x	120.2	145.0	119.7
Chemical-physical plant Z.I. Ravenna	X	x	417.4	487.2	494.0
Lugo chemical-physical-biological plant - Ravenna	x	x	119.8	118.8	96.1
ITFI stabilisation and chemical phys. plant Bologna	x	x	140.4	131.8	141.8
Ravenna stabilisation plant (Sotris)	x	x	14.0	9.2	2.2
Chemical-physical plant (with special waste platform) Ferrara	x	x	0.0	0.0	0.0
Area 2 Cavazza chemical physical plant Modena	x	x	100.6	96.4	92.1
Area 3 chemical physical plant Modena	x		0.0	0.0	0.0
Leachate treatment plant Forlì-Cesena			6.1	5.4	7.6
Experimental sludge treatment plant			0.0	1.5	0.0
Other plants					0.0
<i>Total stabilisation and chemical phys. plants</i>			<i>1,094.3</i>	<i>1,182.3</i>	<i>1,141.6</i>

Plant	ISO 14001	EMAS	2013	2014	2015
WDF production Ravenna	x	x	0.0	0.0	0.1
Bologna separation	x	x	0.0	0.0	0.0
Tre Monti separation					0.0
Forlì separation	x	x	0.0	0.0	0.0
Ostellato - Ferrara separation	x		0.0	0.0	0.4
Separation Herambiente Recuperi					6.3
<i>Total separation plants</i>			0.0	0.0	6.8
Treatment plants			592.7	530.9	479.4
Third-party plants			1,031.0	1,249.0	1,401.0
<i>Total third-party plants/Other plants</i>			1,623.7	1,779.9	1,880.4
Total			6,286.8	6,425.8	6,225.7

Detail of investments financed with the Green Bond

Type of measure	Measure	Investment in 2006-2014 (thousands of Euro)	Investment in 2015 (thousands of Euro)
Increase in energy generated from non-fossil sources	Solar photovoltaic Interporto Bologna (see page 153 and 285)	11,416	
Increase of energy generated from non-fossil sources	Solar photovoltaic Alfianello (BS) (see page 153 and 285)	943	
Increase of energy generated from non-fossil sources	Solar photovoltaic Copparo (FE) (see page 153 and 285)	956	
Increase of energy generated from non-fossil sources	Solar photovoltaic Faenza (RA) (see page 153 and 285)	835	
Increase of energy generated from non-fossil sources	Solar photovoltaic Petriolo (MC) (see page 153 and 285)	764	
Increase of energy generated from non-fossil sources	Biogas from landfills (see page 153 and 285)	4,931	
Increase of energy generated from non-fossil sources	Cesena anaerobic digester (see page 153 and 285)	10,464	
Increase of energy generated from non-fossil sources	Lugo (RA) anaerobic digester (see page 153 and 285)	12,233	
Increase of energy generated from non-fossil sources	Rimini anaerobic digester (see page 153 and 285)	11,324	1,566
Increase in energy efficiency	Imola cogeneration plant (see page 185)	92,630	572
Increase of energy efficiency	Development of district heating networks - Ferrara Area (see page 161)	18,969	
Increase of energy efficiency	Development of district heating networks - Forlì-Cesena Area (see page 161)	24,021	
Increase of energy efficiency	Development of district heating networks - Imola-Faenza Area (see page 161)	33,487	
Increase of energy efficiency	Development of district heating networks - Modena Area (see page 161)	9,314	
Increase of energy efficiency	Development of district heating networks (see page 161)	6,672	13,877
Increase of energy efficiency	Development of industrial cogeneration (see page 163 and 288)	2,516	3,127
Improvement of waste treatment plants	WTE Ferrara (see page 182 and 184)	42,885	
Improvement of waste treatment plants	WTE Forlì (see page 182 and 184)	39,122	

Type of measure	Measure	Investment in 2006-2014 (thousands of Euro)	Investment in 2015 (thousands of Euro)
Improvement of waste treatment plants	WTE Modena fourth line (see page 182 and 184)	46,753	
Improvement of waste treatment plants	WTE Rimini (see page 182 and 184)	44,410	
Improvement of treatment plants	Bologna plant (see page 289)	5,224	
Improvement of treatment plants	Lugo (RA) plant (see page 289)	4,451	
Improvement of treatment plants	Forlì plant (see page 289)	7,176	
Improvement of treatment plants	Rimini seawater protection plan (see page 238)	4,699	5,383
Increase of separate waste collection	Separate waste collection services development (see page 196-201 and 243)	4,673	5,163
Total		440,868	29,688

Glossary

Population equivalent

The concept of population equivalent was introduced to enable the comparison of various types of sewage (municipal, 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. As a definition, one population equivalent corresponds to 60 g of BOD₅ per day.

Italian Regulatory Authority for Electricity and Gas (AEEGSI)

Formally independent authority established under Law 481/1995 which has the goal of promoting the development of competitive markets in the electricity and natural gas sectors, mainly by regulating rates, network access, market operation and protecting the interests 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 Authority (ATO)

In accordance with Law 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 served.

Ammoniacal nitrogen

The term ammoniacal 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

The term biogas identifies 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.

Bond

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 set 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 uses both a gas and a steam turbine together. CCGT technology is one of the most advanced available today and provides high performance and greater environmental compatibility.

Green certificates (GC)

GCs offer incentives to generate electricity from renewable sources. As required by law 244/07, GCs are issued by the Energy Services Manager (ESM) and concerns the production of

electricity from renewable sources of the previous year or the production expected during the current year or during the following year. They represent 1 MWh of electricity. Each individual producer or importer must feed into the grid for 2012 a 7.55% share of electricity produced by renewable sources: this quota decreases linearly starting in 2013 and reaches zero in the year 2015. The requirement can also be satisfied through the purchase of GCs from other parties.

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 set of processes, policies, practices, laws and institutions which influence how 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

Enterprise Value (EV)

Expresses the overall value of a company as the sum of its market capitalization and its net debt.

When comparing a company's value compared to others of the same industry the Enterprise Value is in relation to economic indicators such as EBITDA and EBIT. Higher EV/EBITDA or EV/EBIT ratios mean higher value of one company over another.

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 municipal 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 nitrogen oxides.

Geothermics

The science that studies the internal energy of the Earth and its practical applications as an energy source.

IAFR

IAFR ("Plant Fuelled by Renewable Sources") qualification is a prerequisite to obtain some of the most important incentives to generate electricity from renewable sources (issue of Green Certificates and access to the All-inclusive 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.

Nitrogen oxides

Nitrogen oxides (mainly NO and NO₂), gases produced by the combustion of fossil materials. Nitrogen 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

The substance resulting from water and other liquid mixtures filtering through waste.

PM₁₀

Particulate matter of a diameter of less than 10 microns generated by a broad range of natural and man-made. PM₁₀ includes a diverse variety of solid or liquid particles that tend to remain suspended in the air, due to their small size.

Heat pump

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 classifies waste based on its origin, as urban or special, and, according to the level of hazardousness, 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.

Stakeholder

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

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Bruntland Report, World Commission for Economic Development, 1987).

District Heating

Remote distribution of heat generated by thermoelectric power stations, cogeneration plants or waste-to-energy plants using an energy carrier (hot water, superheated water, or steam).

toe

Tonne of oil equivalent. The conventional unit of measurement of sources of energy defined as 10,000 Mcal, the amount of energy released by burning one tonne of crude oil.

Waste-to-energy plant

A plant that uses waste as a fuel to produce heat or energy.

Turboexpander

Machine that transforms a given kind of energy (e.g. potential energy) into mechanical energy, made available for use via a rotating shaft. The resulting energy may in turn be used to produce other energy (e.g. by coupling an alternator to the turbine to enable the alternator to use the mechanical energy to generate 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.

GRI contents reference table

The following table provides a reference to the information required by the GRI G4 guidelines, indicating the indicator code and the page number where each issue is dealt with.

Indicator	Description	Page	Changes in the company's scope
Company Profile			
G4-1	Statement from the CEO and Chairman on the relevance of sustainability to the organization and its strategy	P.Errore. Il segnalibro non è definito.	
G4-2	Description of key impacts, risks and opportunities	P.Errore. Il segnalibro non è definito.	
G4-3	Name of the organization	P.Errore. Il segnalibro non è definito.	
G4-4	Primary brands, products and/or services	P.Errore. Il segnalibro non è definito.	
G4-5	Location of organization's headquarters	P.Errore. Il segnalibro non è definito.	
G4-6	Countries in which the company has operations	P.Errore. Il segnalibro non è definito.	
G4-7	Nature of ownership and legal form	P.Errore. Il segnalibro non è definito.	
G4-8	Markets served	P.Errore. Il segnalibro non è definito.	
G4-9	Scale of the reporting organization	P.Errore. Il segnalibro non è definito.;103	
G4-10	Breakdown of employees by contract, region and gender	P.103	
G4-11	Percentage of employees covered by collective bargaining agreements	P.103	
G4-12	Description of the supply chain	P.260	
G4-13	Significant changes during the reporting period	P.Errore. Il segnalibro non è definito.	
G4-14	Explanation of how the precautionary approach or principle is addressed by the organization	P.Errore. Il segnalibro non è definito.	
G4-15	Codes of conduct endorsed	P.Errore. Il segnalibro non è definito.,Errore. Il segnalibro non è definito.	
G4-16	Membership in associations	P.226	
EU 1	Installed production capacity by energy source	P.159	
EU 2	Net energy production by source	P.159	

Indicator	Description	Page	Changes in the company's scope
EU 3	Number of customer accounts of energy services	P.47	
EU 4	Length of electricity transmission and distribution lines	P.77	
EU 5	Kyoto Protocol compliance ratings	P.189	
Identified Material Aspects and Boundaries of Reporting			
G4-17	Companies included in the consolidated financial statements and an indication of the companies not included in the report	P.282	
G4-18	Process for defining report boundaries and content	P.282	
G4-19	Material aspects identified	P.282	
G4-20	Boundary for the report for each material aspect (within the organization)	P.282	
G4-21	Boundary for the report for each material aspect (outside the organization)	P.282	
G4-22	Explanation of the effect of any restatements of calculations	P.282	
G4-23	Explanation of significant changes from previous reporting periods	P.282	
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organisation	P.Error. Il segnalibro non è definito.	
G4-25	Basis for identification and selection of stakeholders with whom to engage	P.Error. Il segnalibro non è definito.	
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	P.Error. Il segnalibro non è definito.	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those concerns, including through reference to what is stated in the report	P.Error. Il segnalibro non è definito.	
Report profile			
G4-28	Reporting period	P.282	
G4-29	Date of most recent previous report	P.282	
G4-30	Reporting cycle	P.282	
G4-31	Contact point for questions regarding the report and its content	P.282	
G4-32	The 'in accordance' option chosen; GRI Content Index; reference to external assurance	P.308	
G4-33	External assurance of the report	P.282	
Governance			
G4-34	Governance structure of the organization	P.Error. Il segnalibro non è definito.	
G4-35	Description of the process for delegating authority on sustainability issues	P. Error. Il segnalibro non è definito.	
G4-36	Accountability with respect to sustainability issues	P.Error. Il segnalibro non è definito.	
G4-37	Processes for consultation between stakeholders and the highest governance body	P.Error. Il segnalibro non è definito.	

Indicator	Description	Page	Changes in the company's scope
G4-38	Composition of the highest governance body	P.Errore. Il segnalibro non è definito.	
G4-39	Whether the Chairman of the highest governance body is also CEO	P.Errore. Il segnalibro non è definito.	
G4-40	Nomination and selection processes for the highest governance body	P.Errore. Il segnalibro non è definito.	
G4-41	Processes used to ensure the absence of conflicts of interest	P.Errore. Il segnalibro non è definito.	
G4-42	Role of the highest governance body in developing strategies relating to sustainability issues	P.Errore. Il segnalibro non è definito.	
G4-43	Development of knowledge of sustainability issues by the highest governance body	P.Errore. Il segnalibro non è definito.	
G4-44	Processes for evaluating the highest governance body's own performance on sustainability issues	P.Errore. Il segnalibro non è definito.	
G4-45	Role of the highest governance body in the identification and management of impacts, risks and opportunities related to sustainability issues	P.Errore. Il segnalibro non è definito.	
G4-46	Role of the highest governance body in reviewing the effectiveness of the risk management system for sustainability issues	P.Errore. Il segnalibro non è definito.	
G4-47	Frequency of the highest governance body's review of sustainability issues	P.Errore. Il segnalibro non è definito.	
G4-48	Body that approves the Sustainability Report	P.282	
G4-49	Process for communicating with the highest governance body	P.Errore. Il segnalibro non è definito.	
G4-50	Nature and total number concerns communicated to the highest governance body	P.Errore. Il segnalibro non è definito.	
G4-51	Remuneration policies	P.126	
G4-52	Process for determining remuneration	P.126	
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	P.126	
G4-54	Ratio of annual total remuneration for the organisation's highest-paid individual to the median remuneration	P.126	The data refer to Hera Spa, Uniflotte, Hera Comm, Hera Trading, Herambiente and FEA for which uniformity in the calculation is ensured.
G4-55	Ratio of percentage increase of annual total remuneration for the organisation's highest-paid individual to the median percentage increase	P.126	
Ethics and Integrity			
G4-56	Corporate mission and values, codes of conduct and principles	P.Errore. Il segnalibro non è definito., Errore. Il segnalibro non è definito.	

Indicator	Description	Page	Changes in the company's scope
G4-57	Mechanisms for seeking advice about unethical or unlawful behavior	P. Errore. Il segnalibro non è definito.	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior	P. Errore. Il segnalibro non è definito.	
Economic performance indicators			
EU 10	Planned capacity against projected electricity demand	P. 159	
G4-EC 1	Direct economic value generated and distributed	P. Errore. Il segnalibro non è definito.	
G4-EC 2	Financial implications and other risks and opportunities for the organization's activities due to climate change	P. Errore. Il segnalibro non è definito.	
G4-EC 3	Coverage of the organization's defined benefit plan obligations	P. 129	
G4-EC 4	Financial assistance received from government	P. Errore. Il segnalibro non è definito.	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage in most significant sites	P. 126	
G4-EC 6	Recruitment of persons residing where main business takes place and percentage of senior management hired from the local community	P. 103	
G4-EC 7	Development and impact of infrastructure investments and services provided primarily for public benefit	P. 221	
G4-EC 8	Significant indirect economic impact, including size of impact	P. 262	
G4-EC 9	Proportion of spending on local suppliers in most significant sites	P. 262	
G4-EU 11	Average efficiency of power generation plants	P. 159	
G4-EU 12	Losses in the electricity distribution grid	P.	
Environmental performance indicators			
G4-EN1	Materials used by weight or volume	P. 204	
G4-EN2	Percentage of materials used that are recycled input materials	Not significant	
G4-EN3	Energy consumption within the organization	P. 167	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga since the disclosure does not apply to the other companies.
G4-EN4	Energy consumption outside the organization	P. Errore. Il segnalibro non è definito.	
G4-EN5	Energy intensity	P. 167	The data refer to

Indicator	Description	Page	Changes in the company's scope
G4-EN6	Reduction of energy consumption	P. 167	Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga since the disclosure does not apply to the other companies.
G4-EN7	Reductions in energy requirements of products and services	P.164	
G4-EN8	Total water withdrawal by source	P.173	
G4-EN9	Water sources significantly affected by withdrawal of water	P.173	
G4-EN10	Percentage and total volume of water recycled and reused	P.173	The data refer to all EMAS registered plants for which uniformity in the calculation is ensured.
G4-EN11	Location and size of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P.214	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	P.214	
EU13	Biodiversity in relocated habitats against the biodiversity in the original habitat	Not significant	
G4-EN13	Habitats protected or restored	Not significant	
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Not significant	
G4-EN15	Direct greenhouse gas emissions	P.189	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, and Marche Multiservizi since the disclosure does not apply to the other companies.
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	P.189	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, Marche Multiservizi and AcegasApsAmga since the disclosure does not apply to the other companies.
G4-EN17	Other indirect greenhouse gas (GHG) emissions	P.189	
G4-EN18	Greenhouse gas (GHG) emissions intensity	P.189	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, and Marche Multiservizi since the disclosure does not apply to the other companies.

Indicator	Description	Page	Changes in the company's scope
G4-EN19	Reduction of greenhouse gas (GHG) emissions	P.189	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, and Marche Multiservizi since the disclosure does not apply to the other companies.
G4-EN20	Emissions of ozone-depleting substances (ODS) by weight	P.189	
G4-EN21	NO _x , SO _x , and other significant air emissions	P.180	
G4-EN22	Total water discharge by quality and destination	P.176	
G4-EN23	Total weight of waste by type and disposal method	P.213	
G4-EN24	Total number and volume of significant spills	P.173	
G4-EN25	Hazardous waste	P. 204	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	P.176	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	P.216	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not significant	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	P.228	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	P.180	
G4-EN31	Total environmental protection expenditures and investments by type	P.41	The data refer to Hera Spa, Uniflotte, Herambiente and AcegasApsAmga for which uniformity in the calculation is ensured.
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	P.265	The data refer to Hera Spa, Hera Comm, FEA, Hasi, Hera Luce, Uniflotte, Herambiente and AcegasApsAmga for which uniformity in the calculation is ensured.
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	P.265	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	P.265	

Social performance indicators
Work practices

EU 15	Percentage of employees eligible to retire in the next five and ten years	P.111	
G4-LA1	Total number and rate of employee turnover by age group, gender and region	P.108	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by main business area	P.144	
EU 17	Days worked by contractors involved in construction, management and maintenance	P.278	
EU 18	Percentage of employees of contractors involved in health and safety training	P.278	
G4-LA3	Return to work and retention rates after parental leave	P.111	

Indicator	Description	Page	Changes in the company's scope
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	P. 126	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	P.121	
G4-LA6	Types of accident, rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	P.121	The data refer to Hera Spa, Uniflotte, Herambiente, FEA, Hera Luce, Hera Comm, AcegasApsAmga and Marche Multiservizi since the disclosure does not apply to the other companies.
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	P.121	
G4-LA8	Health and safety topics covered in formal agreements with trade unions	P.121	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	P.115	
G4-LA10	Programs for skills management and lifelong learning that support continuous employability of employees and assist them in managing career end	Not significant	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	P.126	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	P. Errore . Il segnalibro non è definito. ;111	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	P.111	The data refer to Hera Spa, Uniflotte, Hera Comm, FEA, Hera Trading, and Herambiente for which uniformity in the calculation is ensured.
G4-LA14	Percentage of suppliers that were screened using labor practices criteria	P.265	The data refer to Hera Spa, Hera Comm, FEA, Hasi, Hera Luce, Uniflotte, Herambiente and AcegasApsAmga for which uniformity in the calculation is ensured.
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	P.265	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	P.	

Human rights

Indicator	Description	Page	Changes in the company's scope
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Aspects already covered by Italian legislation	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		
G4-HR3	Total number of incidents of discrimination and corrective actions taken		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations		
G4-HR8	Total number of incidents of violations involving rights of the local community and actions taken		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria		
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken		
G4-HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms		

Company

G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	P.Errorre . Il segnalibro non è definito.	
EU 22	Number of people displaced and compensation provided	Not significant	
G4-SO2	Operations with significant actual or potential negative impacts on local communities	P.Errorre . Il segnalibro non è definito.	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	P.Errorre . Il segnalibro non è definito.	
G4-SO4	Communication and training on anti-corruption policies and procedures	P.115	
G4-SO5	Confirmed incidents of corruption and actions taken	P.230	
G4-SO6	Total value of political contributions by country and recipient/beneficiary	P.220	

Indicator	Description	Page	Changes in the company's scope
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	P.220	
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	P.228	
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	P.265	The data refer to Hera Spa, Hera Comm, FEA, Hasi, Hera Luce, Uniflotte, Herambiente and AcegasApsAmga for which uniformity in the calculation is ensured.
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	P.265	
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	P.278	
Product responsibility			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	P.74	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle	P.52	
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	P.74	
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services	P.84	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	Not significant	
G4-PR5	Results of customer satisfaction surveys	P.93	
G4-PR6	Sale of banned or disputed products	Not significant	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Not significant	
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	P.84	
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	P.228	
EU25	Number of injuries involving company assets	P.77	
EU26	Percentage of population unserved by electricity	Not significant	
EU27	Number of disconnections for non-payment	P.53	
EU28	Power outage frequency by customer	P.77	
EU29	Average power outage duration	P.77	
EU30	Average plant availability days of electricity generation sources	P.159	

