

**ORGANISATION, MANAGEMENT AND CONTROL MODEL
PURSUANT TO LEGISLATIVE DECREE NO. 231/2001**

General Part

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ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

(General Part)

1. LEGISLATIVE DECREE NO. 231/2001

1.1 The administrative liability system

Legislative Decree no. 231/2001 containing the *“Regulation on the administrative liability of legal persons, companies and associations, including those without legal status”* (“**Decree 231**”), introduced an administrative liability system, in the Italian legal system, for entities (intended as companies and associations - with or without legal status - consortia, etc., hereinafter referred to as “**Entities**” and, in the singular “**Entity**”) for the offences **peremptorily listed** and committed **in their interest or to the benefit thereof**:

- (i) by natural persons who cover roles of representation, administration or management of the Entities or of an organisational unit thereof that is financially and functionally independent, or by natural persons who exercise, even de facto, the management and control of said Entities (so-called “**Senior Managers**”¹);
- (ii) by natural persons under the authority or control of one of the above-mentioned entities (so-called “**Subordinates**”).

An Entity may be liable from an administrative point of view, over and above the individual criminal and civil liability of the natural person who materially commits the offence.

The Entity is liable pursuant to Decree 231 if it has benefited from the offence committed or has committed the offence in its own interest. The Entity is therefore not liable if the offence was committed one of the persons specified by points (i) and (ii) above in its exclusive interest of that of third parties.

Of the sanctions that may be imposed against the Entities held liable pursuant to Decree 231, certainly the most serious measures for the Entity are **injunction measures**, such as the suspension or revocation of licenses and public concessions, the prohibition of entering into contracts with the public administration, the prohibition of exercising the activity, the exclusion or revocation of loans and contributions, the prohibition of advertising goods and services. The above liability is also for offences committed abroad, provided that the State of the place where said offences were committed does not proceed for their repression. Moreover, the sanctions provided by Decree 231 (in reduced form) may be applied to the Entity if there is any attempt to commit an offence.

On the other hand, the Entity is not liable when it *“voluntarily prevents the completion of the action or the realization of the event”*.

The original wording of Decree 231 (articles 24 and 25 of Decree 231), listed, as the offences

¹ “**Senior Managers**” are determined by taking into account the role they actually have in the company and the powers allocated thereto. In order to determine the “**Subordinates**”, the employment relationship with the Company and the decision-making autonomy of person concerned are taken into account.

that imply the administrative liability of the Entities, exclusively offences carried out in relations with the public administration, with the purpose of preventing and applying sanctions for corruption in the context of business activities. Over the years, the list of so-called predicate offences (the offences expressly provided by Decree 231) has been progressively extended to include most of the offences attributable to the business activity, and not only in relations with the public administration.

The **updated list of offences** provided by Decree 231 as a prerequisite for the Entity's administrative liability (hereinafter the "**231 Offences**") are shown in the annex attached to this General Part of the Model (**Annex 1**).

Any new 231 Offences, that may be introduced from time to time, will be implemented in Model 231 adopted by the companies of Hera Group², through the updates and checks described by paragraph 5 below.

Pending this update, the provisions of the Organisation Model³ are considered to provide the new types of offence introduced by the legislator with respect to Decree 231.

1.2 The adoption of the organisation, management and control model as exemption from the administrative responsibility of the Entity

Article 6 of Decree 231 establishes that the Entity is not liable for Offence 231 if it demonstrates that it has adopted and effectively implemented, before the offence was committed, *"organisation and management models that are able to prevent offences of the kind committed"* (so-called "exemption" from Offence 231).

In particular, if Offence 231 is committed by a Senior Manager, the Entity is not liable if it proves that:

- (i) the management body adopted and effectively implemented, prior to the offence, an organisation and management model that is able to prevent offences of the kind that occurred;
- (ii) a body of the Entity with control authority and autonomous authority to act, supervises the functioning, compliance and updating of the Models;
- (iii) the persons have committed the offence by fraudulently evading the Models;
- (iv) there has been no omission or insufficient supervision by the Supervisory Body⁴ with respect to the Models.

If, on the other hand, a 231 Offence is committed by Subordinates, the Entity is liable if it has been possible to commit the offence as a result of non-compliance with the management and supervision obligations. Said non-compliance is, in any case, excluded if the Entity, has adopted and effectively implemented models that are able to prevent offences of the kind that occurred, before the offence is committed, on the basis of an assessment that must necessarily be *a priori*.

² "**Hera Group**" or the "**Group**": for purposes of Model 231, are intended as Hera S.p.A. and the companies of Hera Group that have adopted this Model 231 (General Part).

³ "**Model**" or "**Model 231**": the organisation, management and control model - referred to in Legislative Decree no. 231/2001 - adopted by Hera S.p.A. and its subsidiaries.

⁴ **Supervisory Body or SB**: the body responsible for supervising the functioning, compliance and updating of the Model.

Said Models must:

- **identify** the activities in the context of which 231 Offences may be committed;
- provide specific **protocols/procedures** to plan the decision making and implementation processes of the Entity for the offences to prevent;
- identify **ways of managing the financial resources** necessary to prevent said offences;
- provide **reporting obligations** to the body that supervises compliance with and functioning of the Models;
- introduce a **disciplinary system for the application of penalties** in the case of non-compliance with the measures indicated by the Models.

2. ADOPTION OF THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

2.1 Objectives and purposes pursued with the introduction of the Model

The Group is very aware of the need to ensure that its business and corporate activities are conducted in a fair and transparent manner, while satisfying the needs of the community, protecting its position and image, the expectations of its shareholders and the work of its employees. The Group is also aware of the importance of having an internal control system that is able to prevent any unlawful conduct by its directors, employees, external collaborators and business partners in general.

The Model is therefore addressed to the members of the Corporate Bodies⁵, employees and all those who, though not covering a position in the Group, work against a mandate or in the interest of the Group; all the above are therefore required to know and comply with the Model - within the scope of their respective responsibilities and duties.

The Model has been introduced in the belief that - over and above the requirements of Decree 231 which identifies the Model as an optional and non-mandatory tool - it may be help to raise the awareness of all those who work in the name and on behalf of the Group companies, so as to ensure that they perform their activities in a correct and consistent manner, in order to prevent the risk of committing the offences specified by the Decree.

In particular, by introducing the Model, the Group intends to pursue the following main objectives:

- ensure that anyone who works in the name and on behalf of the Group in activities that are considered to be at risk, **is aware** that in the case of any breach of the provisions of the Model or if he or she commits an offence, criminal sanctions may be applied against them and administrative sanctions may be applied against the Group;
- reiterate that any form of **unlawful conduct is strongly condemned** by the Group, since said unlawful conduct (even if the Group may apparently be in a position to benefit from this) is in any case in breach not only of the provisions of the law, but also the ethical principles that the Group intends to follow in doing business;
- allow the Group, to promptly take measures to **prevent or combat** offences, by **monitoring** the areas of activity at risk,

⁵ “**Corporate Bodies**”: the Board of Directors (or other Administrative Bodies) and Board of Statutory Auditors of Hera S.p.A. and its subsidiaries.

The implementation of the Model also provides the continuous updating of the other related tools, such as: the Code of Ethics⁶, the Model for the Prevention of Corruption⁷, the mapping of “sensitive” business processes (i.e. those that, by nature, fall under activities that are analysed and monitored pursuant to the provisions of Decree 231) and the drafting of specific Protocols/Procedures 231 that govern said business processes.

After identifying the sensitive processes, the Group considered that it would be necessary to establish specific aspects that are considered to be fundamental to the Model it intends to implement, taking into account not only the provisions of the Decree but even the guidelines of trade associations.

The forecasts contained in the Model were prepared taking into account the current structure of the parent company Hera S.p.A. that operates as a holding which manages and coordinates the other Group companies, in line with the current structure of powers and in compliance with the applicable law. The latter operate with management autonomy and in line with the Group's strategic objectives.

2.2 Structure and fundamental aspects of the Model

The Model consists of this “**General Part**” and a “**Special Part**” containing the 231 Protocols/Procedures.

Each 231 Protocol/Procedure (Special Part) contains a description of the specific “sensitive” activity/process with respect to the risk of committing 231 Offences and establishes behavioural principles and control measures.

The **key aspects** established by the Group in defining the Model may be summarised as follows:

- **mapping of all “sensitive” business processes**, namely those processes whose nature, makes them susceptible to the offences specified by the Decree and which should therefore be verified and monitored;
- the introduction of the **Model for the Prevention of Corruption**, which specifically aims at preventing corruption;
- the approval and constant updating of the **231 Protocols/Procedures** (the so-called “**Special Part**”) applicable to sensitive processes and the implementation of the internal control system provided by said Protocols in order to guarantee the application of the control principles specified by paragraph 4 hereunder;
- the definition of **ethical principles** applicable to any conduct that may constitute the offences provided by the Decree (formalised in the **Code of Ethics** approved by the Board of Directors);
- the appointment of the **Supervisory Board (“SB”)** and allocation thereto of specific supervisory duties, on the effective and correct application of the Model, and the analysis and containment of risks;
- drawing up and forwarding to the SB, by all Group Companies that introduce the Model,

⁶ “**Code of Ethics**”: the document introduced by the Group and approved by the Board of Directors of Hera S.p.A. and its subsidiaries containing the general principles and guidelines for ethical conduct.

⁷ “**Model for the Prevention of Corruption**”: model introduced by the Group and approved by the Board of Directors of Hera S.p.A. and its subsidiaries whose specific purpose is to prevent corruption.

Information Flows⁸, that contain specific and detailed information necessary to monitor the risk of committing serious offences pursuant to Decree 231;

- the provision and application of appropriate **disciplinary measures** against any breach of the measures provided by the Model, as integration of the existing disciplinary laws;
- **training**, information, raising of awareness and sharing of ethical principles, rules of behaviour and established procedures at all levels of the company;
- a channel through which to report alleged offences and/or breach of the Model to the Supervisory Board (so-called **whistleblowing**⁹) and the activation of an enquiry and investigations to ascertain the facts and the introduction of re-entry plans to mitigate the risk;
- the establishment of responsibilities in terms of approval, transposition, integration and implementation of the Model, and verification of the functioning of said responsibilities and the conduct of the company with periodic updating

(*ex post* check).

3. INTRODUCTION OF THE CODE OF ETHICS

In order to promote the legality, fairness, honesty, equity and impartiality of the conduct of its employees, the Group has established **principles** to guide them in performing their duties and in dealings with different stakeholders (customers, employees and collaborators, shareholders and the financial market, suppliers, the territory, communities and entities) that are provided by the Group's Code of Ethics.

Each employee and collaborator is required to know and apply the Code of Ethics and is considered **personally responsible** to the Group **for the work they perform**.

Said principles and directives therefore govern the work of the employees and collaborators of the Group, or anyone else who, over and above the type of legal relationship, has a direct working relationship with Hera whose scope is to the company' purpose.

According to the general guidelines of the Code of Ethics, directors, employees and collaborators are required to work with **integrity, rejecting any form of corruption**, whether direct or indirect, and **avoid situations** that may represent a **conflict of interest** between them and the company.

In order to help the SB ensure compliance with the Model and adapt the existing system to the provisions of Decree 231, the Code of Ethics allows the Ethics and Sustainability Committee to have dealings with the supervisory entities. The relationship with the SB is guaranteed by the Chairman of the Committee.

The Group's Code of Ethics establishes and formalises the ethical principles for any conduct that may constitute the offences provided by Decree 231, in order to define the need to:

- comply with applicable laws and regulations;
- ensure that dealings with the public administration are based on principles of fairness and

⁸ "**Information flows**": information sent to Supervisory Body as regards actions and facts that could be important for the purposes of Decree 231.

⁹ "**Whistleblowing**": the system used to make reports to the Supervisory Body that both internal staff and persons external to the Group may use, through which actions or facts of alleged seriousness may be reported above all, for purposes of Decree 231.

transparency;

- ensure that operators are aware of the importance of complying in full with the information control procedures and the relevant values.

The principles of the Model are integrated with those of the Group's Code of Ethics, although the Model, given the scope it pursues in the specific implementation of the provisions of Decree 231, has a different scope with respect to the Code of Ethics. Indeed:

- the Code of Ethics is a **tool of corporate social responsibility** that has a general scope, given that it contains principles which encourage a positive behaviour with which the Group identifies itself and which it ensures all employees and anyone who cooperates to attain the Group's corporate purpose are aware of;
- the Model responds, on the other hand to **specific provisions contained in Decree 231**, whose purpose is to prevent particular types of offences (for facts committed in the interest or to the benefit of the company, that may entail the Group's administrative liability according to the provisions of Decree 231).

4. STRUCTURE OF THE MODEL

Starting from the essential requirements established by Decree 231, in order to structure the model, the steps indicated hereunder were followed.

4.1 Identification of all the sensitive business processes or processes in which there is a risk of committing offences

The business context was firstly analysed to establish the Group's areas and sectors of activity in which 231 Offences may potentially be committed.

Said areas and sectors of activity were then analysed to identify potentially "**sensitive processes**" (e.g. activities that involve relations with the public administration, management of financial information, etc.) typically at risk of committing 231 Offences.

This analysis was the starting point for structuring the Model and was also used to create a map of the Group's organisational areas considered to be at risk of offences. It should be noted that for the analysis, the importance of the activities performed by the parent company Hera S.p.A. was also taken into account even with respect to companies controlled by the parent company under service contracts.

4.2 Analysis and mitigation of potential risks

After identifying the sensitive business processes, a detailed assessment was made of the **possible methods/opportunities to commit offences**, in the case of the offences in question, with respect to the context of the internal and external relations in which the Group operates, and the internal control system to prevent risks.

The policies, procedures and working practices of each of the corporate organisational units at risk identified in the previous phase that regulate the performance of the processes and the persons to whom responsibilities and powers of signature and representation outside the company are granted, were examined.

In order to establish the offence risk profile of the Group pursuant to Decree 231, the processes

of the above company Organisational Departments/Functions were examined, through interviews with the Group directors and staff (department managers and even second and/or third reporting lines).

For each sensitive process, **the existing risk profile** (so-called **risk assessment**) was analysed, by examining the potential offences associable to the process in order to examine the risk and existing control system. To this end, the Group's organisational structure, guidelines and procedures, the periodicity of the activities carried out, the existence of proxies, proof obtained during previous checks on the Model, etc., were for example assessed.

According to results obtained, the importance of the risk of committing the offence in the sensitive business process was identified. During this phase, any necessary integration and/or improvement measures to the existing control systems are also identified, and the Model will be modified or integrated accordingly.

The risk assessment is drawn up once every three years and is periodically updated, then examined once a year.

5. IMPLEMENTATION, MODIFICATION AND VERIFICATION OF THE MODEL

5.1 Introduction and implementation of the Model, implementation of the controls

Each Italian company of the Group is required to independently draw up, review and introduce an **organisation model pursuant to Decree 231**, at the proposal of its SB, but may refer to the Parent Company's Model if this is considered to be appropriate for its specific activities, in line with the general principles of said Model and the guidelines and coordination by of the SB of Hera S.p.A.

The parent company Hera S.p.A. **helps and encourages**, on a general level, to update the Model in order to ensure that the Model is implemented by the Group companies in a correct and uniform manner, above all in consideration of the organisational and corporate structure.

The Board of Directors (or another competent administrative body) of each Group company **implements the Model**, by evaluating and approving the actions required to implement the fundamental aspects of the Model (as reported in paragraph 6), with the support of the senior managers and the management of the company.

The Board of Directors (or another competent administrative body) of each company that has adopted the Model must also ensure, if necessary through the intervention of its SB, that the **Model is updated**, according to requirements that may be necessary in the future, as a result of regulatory and organisational changes or in order to include previous experiences that are important in terms of the 231 involving the Entity (so-called case history).

The effective and concrete implementation of the Model is guaranteed:

- by the Directors/Managers of the various organisation structures (Divisions and Departments) of the Group, in order to manage the activities at risk pertaining thereto;
- by the SB, when the exercising its control powers with respect to the activities carried out by the individual organisation units in the areas at risk, as described below.

5.2 Changes and integrations to the principles of the Model

Given that this Model is an “*official document issued by the managing body*” (in accordance with the provisions of article 6, paragraph one, (a) of Decree 231), the Board of Directors of Hera S.p.A. **amends and integrate the principles of the Model as necessary**, in order to ensure compliance of the Model with the provisions of Decree 231 at all times. The Chair and/or Chief Executive Officer of Hera S.p.A. may also make any non-substantial changes or additions to the text. In either case, said changes may also be made after an assessment and at the proposal of the SB of Hera S.p.A.

Hera S.p.A. promptly notifies the Group companies of any changes made to this Model and **guides** them in assessing similar updates, taking into account the specificity of the activities carried out by the individual company and the related internal approval *process*.

5.3. Periodic checks of the efficiency of the Model and company conduct

On initiative and under the coordination of the SB and according to the procedures established by the SB, **two types of checks** may be carried out on the Model:

1. verification that the Model (so-called “audit”), namely the main controls, comply with the sensitive processes. The purpose of the audit is to assess the risk of committing 231 Offences and identifying actions to mitigate the risk, as well as compliance with any “re-entry plans” established with the various organisational structures;
2. verification of the efficiency of the Model. This verification includes an appraisal of all the reports received during the year, the actions taken by the SB and other interested parties.

The purpose of these activities is to verify the suitability, adequacy and effectiveness of the Model and the relevant system. The frequency and specific purpose of the checks are established by the Annual Audit Plan of 231 checks approved by the Board of Directors of Hera S.p.A.

6. CONTROL PRINCIPLES TO MONITOR ACTIVITIES AT RISK OF OFFENCES

The Model provides an internal control system to ensure that the risks of committing the offences, identified and managed according to the methods described and adequately documented, are reduced to an “acceptable level”, where **the threshold of acceptability** is represented by:

- in the case of intentional offences: a prevention system that cannot be circumvented other than in a fraudulent manner;
- in the case of offences caused by negligence: any conduct in breach of the Model despite the supervisory activities of Senior Managers.

Substantially, the protocols that Decree 231 defines as “*specific protocols to plan the formation and implementation of the entity’s decisions with respect to the offences that are to be prevented*” have been planned.

The operational control system in the Group consist of the following main elements:

- a) **Group structure and organisational system** formalised (above all for the allocation of responsibilities, reporting lines and the description of duties) through an organisation chart and job descriptions, which describe and regulate the activities of the various Group structures. The purpose of the above is to ensure an adequate allocation of duties, through the correct allocation of responsibilities and adequate authorisation levels, to avoid functional overlaps or operational

allocations that concentrate critical activities on a single person, in compliance with the segregation of roles in the structuring of the business processes and management of financial resources;

- b) **service contracts**, namely the official intra-group agreements that allocate duties and responsibilities to the company/organisational structure responsible for specific business processes and establish the criteria and methods to calculate the fees;
- c) **authorisation and signing powers** allocated in accordance with the organisational and management responsibilities established, providing, when necessary, a specific indication of the expense approval thresholds (above all for the company's system of proxies and powers of attorney). This implies the establishment of a clear allocation of powers and responsibilities, expressly indicating the operating limits, in line with the duties assigned and the positions covered in the organisational structure;
- d) **operational and IT procedures** that regulate the performance of activities by providing appropriate checks and the persons in charge of performing said checks. These procedures imply the traceability of the operations and checks performed and the existence of adequate documentation on the checks and supervisory activities carried out on company transactions;
- e) the adoption of an adequate and traceable **cash flow and expenditure management control** system, so that all transactions are requested, authorised, carried out and verified by different parties and with different authorisation levels with respect to amounts managed;
- f) the implementation of a **remuneration and incentive system** with reasonable ethical objectives that take into account the compliance of conduct and respect of the Group's values;
- g) **security mechanisms** that guarantee adequate physical-logical protection/access to company data and assets;
- h) **a monitoring system** that prompt reports the existence or occurrence of situations that are in general or particularly critical.

Moreover, Model 231 uses the following **additional documents and procedures**, that are necessary for its correct implementation:

- (i) **Code of Ethics**, as defined above, which is given to all the Group's employees and external;
- (ii) the introduction of standard procedures for sensitive business activities, pursuant to Decree 231, through the "**231 Protocols/Procedures**", so as to:
 - establish and regulate the methods and times for performing the activities;
 - concretise and explain the control mechanisms designed to minimise the risks of committing 231 Offences, identifying the persons responsible;
 - ensure the traceability of the documents, operations and transactions through adequate documentary support that certifies the characteristics and reasons for which the transaction was carried out and identifies the persons involved in the transaction (authorisation, implementation, registration, verification of the transaction);
- (iii) **Model for the Prevention of Corruption**, which rejects corruption in all its forms and specifies the conduct to follow and the control measures to adopt in processes sensitive to corruption, in particular in relations with the public administration;
- (iv) **appointment of the Supervisory and Control Body** and its operation, governed by the relevant Regulations. The task of managing and supervising the Models pursuant to Decree 231 is assigned to this body. In order to ensure the correct and effective functioning of the Model, an internal regulation has been introduced that is applicable to the composition, activities, the procedures for calling and conducting meetings, the voting procedures and the stakeholders of the SB;

- (v) **the disciplinary system and sanctioning mechanisms**, applied against all employees/collaborators of the company, in order to punish anyone who carries out operations in breach of the Model and the relevant company procedures for 231 purposes, who have facilitated or made it possible to commit a predicate offence or who have significantly weakened the control system. This presupposes the existence of appropriate rules of conduct to ensure that company activities are performed in compliance with the laws, regulations and integrity of the company's assets;
- (vi) activation of a **whistleblowing channel** to receive reports addressed to the SB, which also acts as “Compliance Function”. Employees, collaborators, citizens or third parties who intend to report alleged offences, unlawful conduct or violations of Model 231 are encouraged to contact the SB. This information is handled in full respect for confidentiality of the whistle-blower, who is also protected from retaliatory acts against him/her. The disciplinary system provides sanctions applicable to those who violate the duty of confidentiality and/or the protection measures of the whistle-blower as well as anyone who make a reports intentionally or in a negligent manner, that prove to be unfounded.

7. SUPERVISORY AND CONTROL BODY

Article 6 of Decree 231 provides that the entity may be exempted from liability resulting from the commission of the offences indicated if the management body has, among other things, entrusted the task of supervising the operation and compliance with the model and the updating of said Model to a **body of the entity with autonomous powers of initiative and control**.

The assignment of these tasks to the Supervisory Body and the correct and effective performance thereof are essential prerequisites for the **exemption of the entity's liability**, regardless of whether the offence was committed by a Senior Manager (as expressly provided by Article 6), or if the offence was committed by Subordinates who report to others (as provided by Article 7).

Article 7, paragraph 4, also reiterates that the effective implementation of the Model requires the introduction of a **disciplinary system** which should be periodically verified by the SB delegated to this purpose.

7.1 Identification, placement and appointment of the SB

The SB must meet the following requirements:

- a) the SB must be an **internal body of the Group**. This excludes the possibility that a body external to the Group may be appointed, or that the tasks of the SB may be *outsourced*. One or more members may however be external and certain tasks of a technical nature may be entrusted to third parties, on the understanding that the internal SB is in any case responsible as a whole for the supervision of the Model;
- b) the board should be **autonomous, independent and impartial** with respect to those it supervises. These characteristics: a) exclude the possibility that said SB may be identified as the Board of Directors (or administrative body); b) discourage that the SB may be identified as the board of statutory auditors; c) make it essential to place the SB in a high hierarchical position, so as to avoid hierarchical subordination with respect to other corporate functions;
- c) the members of the body should be highly **professional** persons, and should operate with **continuity**, in order to ensure the effective implementation of the Model. This means that the members appointed on this Body, should be persons with appropriate and qualified technical skills (legal and organisational).

Given the above characteristics above, the specificity of the tasks assigned to the SB, and the current organisational structure of the Group, For Hera S.p.A., it was decided to establish this Body as a **board** whose members are the Internal Auditing Director, the Corporate Central Legal Director and an external member designated by the Board of Directors.

The SB of Hera S.p.A. and the Group's subsidiaries is appointed by the Board of Directors (or other competent Administrative Body) of each company, which, in order to ensure that the above requirements are complied with, periodically assesses the adequacy of the SB in terms of members, organisational placement and the powers conferred, making any changes and/or additions that are deemed to be necessary.

The Supervisory Board of Hera S.p.A. is placed in a senior position of the Group and reports directly to the Board of Directors, the Chair and the Chief Executive Officer of Hera S.p.A., as well as to the Boards of Directors of the Group companies within the remit thereof.

The SB may be called at any time by the Board of Directors, the Chair, the Chief Executive Officer of Hera S.p.A., as well as by the Boards of Directors (or other competent administrative bodies) of the subsidiaries and may, in turn, request to be heard by said bodies at any time, in order to report on the operation of the Model or specific situations.

The operation of the SB is governed by a specific **Regulation**, drawn up by the SB and approved by the Board of Directors of each company. This Regulation provides in full detail, among other things: a) the procedures for the appointment, termination and replacement of the members of the Body; b) the procedures for calling meetings and the resolutions of the members of the SB; c) the functions, powers and duties of the SB.

7.2 Requisites and term of office of the Supervisory Body

At each renewal, the newly elected administrative body determines the composition of the SB. Only the competent administrative body may revoke the members of the SB provided said revocation is determined by justified reasons.

Prior to appointment, the administrative body obtains self-certification from the member that is to be elect attesting the absence of causes of ineligibility, incompatibility and that member holds the required requisites, with the obligation of the appointed member to notify the administrative body of any changes. In particular, the person concerned should must declare he or she possesses the requirements of **autonomy** ⁽¹⁰⁾, **independence** ⁽¹¹⁾, **professionalism** ⁽¹²⁾, **integrity** and **absence of any conflict of interest**.

Failure to attend more than two consecutive meetings without justifiable reason, and if the requisite of integrity no longer exists, the regular member of the SB will **automatically be dismissed**.

In the event of **resignation, supervening invalidity, revocation or expiry of the term of office** of a regular member of the SB, the latter will promptly inform the competent Board of Directors (or

¹⁰ **Autonomy** is intended at substantially level, with regard to the possibility of access to resources and relevant information, given that it has inspection and control powers and adequate resources for the activity.

¹¹ **Independence**, in the case of persons in the company, is allowed to persons in a sufficiently high corporate position who do not hold or exercise an executive position or function.

¹² A person is considered to have an adequate level of **professionalism** if he or she has significant expertise in controlling and managing business risks and in economic and legal matters.

another administrative body) that will make the necessary decisions without delay. The Chair or the most senior regular member of the SB, should the Chair be unable to do so, shall immediately the Board of Directors that one of the cases according to which it is necessary to replace a member of the SB has occurred; the new member will in office until the date on which the competent body approves the appointment of the new Chairman of the SB.

In exercising their functions, the members of the SB must not be in any situation that may cause, even potentially, a conflict of interest due to personal, family or professional reasons. In this case, the member in question shall immediately inform the other members and should not participate in the relevant deliberations.

The **term of office** of the members of the SB shall be the same as that of the administrative body that appoints them, unless otherwise decided by said administrative body. Said members shall in any case continue to carry out their duties on an *extended* basis until the new members of the SB are appointed.

The members of the SB, and the persons of which the SB avails itself, in any capacity, shall be required to respect **the obligation of confidentiality** applicable to any information of which they may become aware in exercising their duties.

7.3. Duties and powers of the Supervisory Body

The SB is required to carry out the following activities:

- a) promote and monitor initiatives to encourage the **circulation of the Model** to persons who are required to comply with the provisions of the Model;
- b) ensure **compliance** with the Model within the company;
- c) supervise the **validity and adequacy** of the Model, above all with respect to conduct in a business context;
- d) verify that the Model is indeed able **to prevent** 231 Offences;
- e) ensure that the Model is **updated** or integrated, should it be necessary and/or appropriate to make corrections and amendments to the Model, as result of changes in corporate and/or regulatory conditions;
- f) forward communications and **periodic reports** to the Board of Directors of Hera S.p.A., the Chair and the Chief Executive Officer, the Control and Risk Committee and the Board of Statutory Auditors of Hera S.p.A., as well as to the Chairs of the Boards of Directors of the subsidiaries, about the activities carried out, any whistleblowing reports received, the corrections and improvements made to the Model and the implementation status thereof;
- g) approval of the **231 Risk Assessment** and related annual programme of supervisory activities of the Company's structures and departments (the so-called "**Audit Plan**"); examination of the results of said activities and the related reports; drawing up of the directives for the company departments;
- h) answering **requests for explanations** and/or providing advice relating to the Model and/or how to manage risk of offences, from the Departments or Companies;
- i) examination of the **Information Flows** received and drawing up of the related reports;
- j) examination of reports of alleged offences or violation of the Model (**whistleblowing**);
- k) any other duty assigned by law or Model 231.

The Board of Directors of Hera S.p.A. or the Group companies is in any case ultimately responsible for introducing an effective Model.

In order to fulfil the above obligations, the following **powers** are granted to the SB:

- the authority to request provisions and service orders in order to regulate the activities of the SB;
- the authority to obtain access to any company document relevant to the performance of the functions granted to the SB pursuant to Decree 231;
- the authority to order that the Directors and Managers of the organisational units promptly provide any information, data and/or news that may be requested to identify aspects related to the various business activities of the Model and verify its effective implementation.

Ordinary **meetings** of the SB of Hera S.p.A. are called by its Chair at least once every two months; extraordinary meetings may be called whenever necessary. SB meetings of the other Group companies are held according to the timetable established by these, and in any case at least twice a year.

In order to ensure that the tasks and functions of the SB are carried out in the best and most effective manner, the SB makes use of the **Internal Auditing Department** which has the technical expertise and resources to perform said activities on an ongoing basis. In any case, the SB is, in any case, responsible as a whole for any duties delegated thereby.

The SB **may not delegate** to the Internal Auditing or any other corporate structure activities whose purpose is to:

- a) assess the adequacy of the mapping of "sensitive" business areas;
- b) assess whether to examine or dismiss and file any reports received;
- c) assess that the Group's personnel is aware of and understands the principles of the Models;
- d) proposes to the competent corporate bodies any amendments that it may be necessary to make to the Models.

Moreover, in cases where it is necessary to perform activities that require specialisations that the members of the Internal Auditing Department do not have, the SB may use **external consultants**.

The companies that have appointed a SB shall make available to said SB adequate company resources in terms of number and value that are proportionate to the duties entrusted to the SB, and shall also approve an adequate endowment of financial resources (so-called **budget**), based on the endowment proposed by SB, of which the latter may dispose in full autonomy in order to meet any requirements that may be necessary to ensure the correct performance of its duties.

7.4. Information flows to the Supervisory Body

Article 6 paragraph 2, (d) of Decree 231 provides the obligation of informing the SB, intended as an additional tool to facilitate the supervision of the effectiveness and application of the Model.

Above all in the case of corporate departments at risk of offences, the information obligation concerns:

- a) the periodic results of the control activities carried out by said departments to implement the model (reports of the activity carried out, monitoring activities, etc.);
- b) important information relating to the life of the Group, insofar as it may expose the same to the risk of offences or significantly vary the risk profile;
- c) any case of breach or suspected breach of the Model, the general principles thereof, the Model

for the Prevention of Corruption and the Code of Ethics, as well as information regarding their unsuitability, ineffectiveness and any other potentially relevant aspect.

Said information are provided to the SB in order to allow the latter to better plan the controls it carries out rather than to impose specific and systematic verifications of all the phenomena indicated.

The Directors/Managers of the organisational units shall also **inform** the SB, according to the schedule and in the manner established and communicated by the SB, of the level of compliance, in the organisational structures coordinated, the rules of conduct and company procedures in force, and shall also report any critical issues that may be ascertained in the implementation and/or effectiveness of the Model.

The SB shall communicate to the Group departments the information that is to be received through the **Information Flows**, in order to monitor the risk areas; the flows complete with said information should be made available to the SB, together with the indication of organisational unit that sends the flows, the schedule and the method of communication.

Reports of any case of non-compliance with Decree 231, the Model and/or alleged unlawful conduct (so-called **whistleblowing**) shall be made to the SB in the manner published on the website and the company's Intranet site. The manner in which said reports and investigations are handled are governed by a specific 231 Protocol/Procedure.

8. METHODS AND FREQUENCY OF REPORTING TO THE COMPANY BOARDS

The SB draws up an annual plan of the checks carried out to ensure the adequacy and correct implementation of the Model (**Audit Plan**), that is submitted to Board of Directors of Hera S.p.A. for approval, without prejudice to the allocation of autonomous powers of initiative and control granted to the SB, which may therefore carry out specific verifications on its own initiative at any time.

the results of the verification activities shall be communicated to the Chair and the Chief Executive Officer of Hera S.p.A. and to the company involved in the verification.

The SB prepares **interim reports** that are sent to the administrative bodies of the Group companies, regarding the activities carried out, the results ascertained for the individual companies and suggestions for corrective actions; in addition, the SB prepares a **global annual report** relating to the Group for the Board of Directors of Hera S.p.A.

If necessary, the SB sends to the administrative bodies from which it received the mandate, a **report on the implementation status of the interventions** approved by the administrative body of the company in order to resolve any anomalies that may limit the effective ability of the Models to prevent 231 Offences.

The SB immediately reports to the administrative bodies:

- a) any **case of breach** of the Models ascertained by the SB, of which it has become aware following a report by any employee, the Internal Auditing Department or which the SB has itself ascertained;
- b) any relevant information to ensure the **proper performance of its duties**, and the proper fulfilment of the provisions of Decree 231.

Above all to exercise its supervisory activities, the SB of Hera S.p.A. establishes the terms and procedures to exchange relevant information with the SBs of the Group companies, and also helps to activate Information Flows in compliance with the decision-making autonomy delegated to each SB.

9. STAFF TRAINING AND INFORMATION FOR COLLABORATORS OUTSIDE THE GROUP

The Group encourages training initiatives on the Code of Ethics, the Model for the Prevention of Corruption and the Model 231 at all levels, using different tools according to the addressees thereof, the organisational role, the content to disclose and the level of risk from a 231 perspective.

In order to ensure the implementation of the Model, training of personnel is managed by the Group and the competent company Departments in coordination with the SB and is structured according to the levels indicated below:

- **internal summary note** on the principles for the introduction of the Model and the Code of Ethics;
- publication on the **company Intranet site** of Model 231 and the Model for the Prevention of Corruption;
- publication of Model 231 (General Part), the Code of Ethics and the Model for the Prevention of Corruption on the **website www.gruppohera.it**;
- specific or generic **training courses** based on the complexity of the course content and the participants of the course;
- occasional **updates** sent by email;
- information provided in the **letter of recruitment** to new employees and the letter of appointment of Executives.

Specific information on the policies and procedures introduced by the Group on the basis of the Model, the Code of Ethics, the Model for the Prevention of Corruption and the consequences these imply at a contractual level in the case of any conduct in breach of said documents or the applicable law are also provided to external collaborators of the Group (suppliers, consultants, professionals, etc.).

The contents of the courses make **attendance mandatory**, so that should an employee repeatedly fail to attend the above training courses, disciplinary sanctions may be imposed.

The SB draws up a **Training Plan**, in collaboration with the competent Company Departments and periodically ensures that the plan is implemented. Moreover, the SB may verify the level of knowledge of the contents of Decree 231, the Model and the 231 Protocols/Procedures.

10. DISCIPLINARY SYSTEM AND PENALTIES

10.1 General principles

Pursuant to articles 6, paragraph 2, (e), and 7, paragraph 4, (b) of Decree 231, the Model will be considered as effectively implemented only if it provides a **disciplinary system** to sanction non-compliance with the measures indicated therein. The Model is addressed to employees and managers of the Group, providing appropriate disciplinary penalties.

Any breach by employees, including Group managers, of the rules of conduct of the Code of Ethics

and the measures provided by the Model, including those contained in the 231 Protocols/Procedures, and the regulations on the management of whistleblowing reports, constitutes **breach of the obligations deriving from the employment relationship**, pursuant to Article 2104 of the Italian Civil Code and Article 2106 of the Italian Civil Code.

Breach of the principles provided by the Code of Ethics and the measures provided by the Model, the mandatory penalties and disciplinary procedure are described in the Group's **Disciplinary Regulation**.

Disciplinary penalties are applied over and above the outcome of any criminal proceedings, given that the rules of conduct and internal procedures are binding upon all recipients, regardless of whether an offence has been committed as a result of the conduct in question.

Disciplinary measures will be imposed taking into account the **seriousness** of the breach, the disciplinary **precedents** of the worker and the **duties** thereof, the **circumstances** in which the event took place and the reasons provided by the worker.

The procedure for the application of penalties in the case of breach of the Model is implemented in compliance with the principle of cross examination. The SB notifies the Management responsible for imposing the penalty, that there has been a breach of the Model, against a report received or if the SB becomes aware, during its supervisory activities, of facts that constitute any risk of breach of the Model. The report contains a description of the facts and the provisions of the Model violated and is accompanied by any available supporting documentation. Upon receipt of said report, the competent Department starts the sanctioning procedure.

As regards the assessment of the related infringements, the disciplinary procedures and the imposition of penalties, the powers previously granted, within their respective remit, to the Company Departments responsible for the above, in this regard, remain unchanged.

The disciplinary system is monitored by the Central Personnel and Organisation Manager of Hera S.p.A. and through the Information Flows, by the SB.

10.2 Measures against Employees

Article 2104 of the Italian Civil Code, in identifying the duty of “obedience” by the worker, provides that the employee must observe, in the performing his/her work, the legal and contractual provisions issued by the employer. In the event of non-compliance with said provisions, the employer may impose **disciplinary sanctions**, according to the seriousness of the infringement, in compliance with the provisions contained in the applicable CCNL (National Collective Labour Agreements).

The disciplinary system should in any case comply with the limits related to the sanctioning power imposed by Law no. 300 of 1970 (the so-called “**Workers' Statute**”) and the collective bargaining agreement applicable to the industry, both in terms of the penalties that may be imposed and manner in which said power is exercised.

The system should moreover be duly **published** in a place accessible to employees and if possible disclosed through specific internal communications.

10.3 Measures against Managers

In the event of breach of the internal procedures provided by this Model by **managers**, or any conduct,

in the performance of activities in the context of sensitive processes, that does not comply with the provisions of the Model, the company applies the measures provided by applicable laws, including termination of the employment relationship, with respect to managers.

10.4. Measures against Directors and Statutory Auditors

In the event of breach of the applicable law, the Model or the Code of Ethics by **Group Directors and/or Statutory Auditors**, the SB will inform the Board of Directors (or another competent administrative body) and the Board of Statutory Auditors, that will take the applicable measures according to the powers granted thereto.

If a Director or Auditor is convicted, even in a proceeding of first instance, of a 231 Offence, the Director or Auditor in question should immediately inform the SB that will in turn inform the Board of Directors and the Board of Statutory Auditors.

10.5. Measures against members of the SB

In the event of any breach of this Model by one or more members of the SB, the other members of the SB or any of the statutory auditors or directors, will immediately inform the Board of Statutory Auditors and the Board of Directors of Hera S.p.A.: said bodies, after challenging the breach and granting appropriate defence tools, will take any measures that may be necessary including, for example, revocation of the mandate.

10.6. Measures against collaborators, consultants and business partners

Suppliers and Partners must expressly agree, when the contract is signed, to comply with the provisions of the regulations provided by Decree 231 and the provisions of the Group Model 231 (that are directly applicable thereto), the Model for the Prevention of Corruption and the Hera Group Code of Ethics.

Any conduct in breach of the provisions of Model 231, the Model for the Prevention of Corruption and/or the Code of Ethics by **collaborators, consultants or other third parties who have a non-employee contractual relationship with the Group**, may determine, according to the provisions of the specific contractual clauses included in the letters of appointment or even if said clauses are not included, the termination of the contractual relationship, without prejudice to the right to claim compensation for damages if said conduct damages the Group, over and above the termination of the contractual relationship.

Measures against suppliers and partners are applied by the department that manages the relevant contract.