

# *Human Capital Development in Hera Group*

*Solid infrastructures for a long-term sustainable strategy*

*Photo by Silvia Camporesi: construction phase of the biomethane plant of Sant'Agata Bolognese*

# Employee Development Programs (1/3)

Hera has developed a range of development programs for its employees, which are enabling the creation of shared value as outlined in the industrial plan. These programs are designed to enhance the skills and capabilities of the workforce, fostering a culture of continuous improvement and innovation. By investing in employee development, Hera aims to align individual growth with the company's strategic objectives, ultimately contributing to sustainable success and value creation for all stakeholders. These programs cover full-time/part-time, permanent/contractual employees in company's own workforce. There is also a talent development program, called pool 360, that focuses on a selected pool of individuals who may demonstrate particular investment characteristics for the Group. It is necessary to possess at least two factors among holding a key role, distinctive performance and high potential. Specific training activities (technical, managerial, advanced training), soft actions (mentorship, coaching, self-development), monetary compensation, and role-related actions (job rotation, job enrichment, vertical growth) are concentrated on these talents.

## Coaching and Mentorship

- **Description:** the internal mentorship program at Hera Group is led by company managers who serve as mentors. These mentors have been specifically trained to take on this role, ensuring they are equipped to support the growth and development of their mentees effectively. The mentees are employees identified as talents, individuals with high potential who are on a path of professional growth within the organization. To maximize the value of the mentoring experience, the matching process is carefully designed. Each mentee is paired with a mentor from outside their own organizational area, promoting cross-functional exchange and broader exposure. Additionally, efforts are made to ensure diversity in gender and seniority, enriching the relationship through different perspectives and experiences. The coaching programmes implemented within Hera Group, including internal initiatives, are inspired by the principles of the International Coach Federation (ICF)
- **Business benefits:** strengthen succession pipelines and future leadership capacity; retain and engage top performers through personalized development; promote cross-functional knowledge sharing and internal networking; build a cohesive and inclusive workplace culture
- **Quantitative impacts:** improvement in employee turnover, it has been estimated that the participants in the program experienced a retention rate above 30% higher than the average retention rate of other employees

## Teams and Networks (e.g. Employee Resource Group)

- **Description:** Hera has developed and promoted several employee resource groups to foster a supportive and inclusive work environment. These groups include forums where employees can ask colleagues how to use digital tools, physical meetings where employees discuss diversity and inclusion international best practices and learning hubs where colleagues can exchange ideas on specific topics such as regulatory updates and new business procedures
- **Business benefits:** these initiatives aim to enhance collaboration, knowledge sharing, and continuous improvement within the organization
- **Quantitative impacts:** it has been estimated a per capita training cost saving of about 85% (vs training courses) and an increase in productivity by around 20% on average (vs 12.5% with training courses)

# Employee Development Programs (2/3)

## Leadership development program

- **Description:** The new Leadership model, presented in 2024, focuses on purpose-driven leadership. It follows two dimensions: a temporal one (today–tomorrow) and another that involves us, defining four areas of objectives, each containing two competencies. The usual process of disseminating and deepening the model's content, which involves the entire company was designed to allow employees to meet in person (in plenary sessions or individual work) and to participate in online training courses available on a learning platform. The goal of the program is to spread the content of the leadership model and its competencies through educational games and cooperative learning moments
- **Business benefits:** investing in the development and training of a leadership model offers numerous business advantages, such as a sustainable and thriving environment that supports long-term success. Some of the benefits include also creating a more engaging work environment, higher job satisfaction and lower turnover rates, better ability to manage complexity and foster innovation, increased productivity and excellence, and a strong organizational culture and reputation
- **Quantitative impacts:** Leaders in an organization are very important for making individual teams productive, fostering trust and cooperation, with a clear and exemplary style, promoting the development of each individual. In the annual survey, that was undertaken in June 2025, all employees were asked questions about their team leader and their way to manage. All the criteria analyzed obtained a higher score than the previous survey: trust 77/100 (it was 76/100), leadership 76/100 (it was 75/100), style 75/100 (it was 74/100), team functioning 74/100 (it was 73.5/100), people development 74/100 (it was 73/100)

## Cultural education

- **Description:** cultural education is a key component of the Diversity & Inclusion program of the Hera Group whose seminars, workshops, online courses, experiential learnings, equips individuals with the knowledge and skills to effectively interact with people from diverse cultural backgrounds
- **Business benefits:** The training aims to foster understanding, empathy, and effective communication in intercultural contexts. By investing in cultural education training, individuals and organizations can foster a more inclusive, respectful, and effective environment for intercultural interactions
- **Quantitative impacts:** reduction of controversies related to cultural discrimination: 0 controversies since the start of the program. Furthermore, it has been estimated an increase in the productivity up to 30% and an increase in the retention rate in a range between above 15%

# Employee Development Programs (3/3)

## Transition program for retiring employees

- **Description:** Hera has developed a knowledge retention program where employees who are nearing retirement transfer their knowledge and skills to new hires working together for several months. Hera provides financial incentives to individuals who submit their resignation with at least eight months' notice and actively participate in the transfer of activities and skills. The transition period is as extensive as possible, also in relation to the availability of new resources.
- **Business benefits:** This initiative helps preserve the know-how built over years of work, increases engagement for both the soon-to-be-retired employee and the new hire, speeds up onboarding, and saves on training costs, leading to a significant increase in productivity.
- **Quantitative impacts:** it has been estimated an increase in retention rate of employees trained by retiring employees by about 30% on average, error rates decrease above 25%

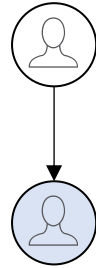
## Digital transition program (Her@Futura)

- **Description:** HER@futura aims to develop a digital-friendly culture and widespread know-how on these issues, while strengthening the vertical and cross-functional skills of Group employees. With a survey we investigated Digital Proficiency (comprehensive possession of digital soft skills, digital hard skills, work-related skills, agile skills, and data analytics skills). Based on the outcome of the digital profile found in the survey phase, a specific personalized learning plan has been created. The training program is differentiated by channel, target and content. In this regard, based on the results of the survey, "bite-sized" training units has been released on topics related to the digital world, for example in-depth video tutorials on digital trends and tools, a customized digital skills development path based on the outcome of the digital profile found in the survey phase.
- **Business benefits:** implementing a digital skills enhancement program offers numerous benefits for a company. Firstly, it boosts employee productivity by equipping them with the latest tools and technologies, enabling more efficient and innovative work processes. Secondly, it enhances adaptability, allowing the workforce to quickly respond to technological changes and market demands. This agility is crucial in maintaining a competitive edge. Additionally, such programs foster a culture of continuous learning and improvement, which can lead to higher employee satisfaction and retention. Moreover, a digitally skilled workforce can drive better customer experiences through improved service delivery and innovative solutions. Finally, investing in digital skills can lead to cost savings by streamlining operations and reducing reliance on external consultants. Overall, a digital skills enhancement program is a strategic investment that can significantly contribute to a company's growth and success.
- **Quantitative impacts:** the digital proficiency increased to 63% of the participants, compared to 54% of the previous edition and 44% of the first edition of 2020. This increase allowed to perform a first rollout of Copilot licenses with change management initiatives designed to increase the productivity of the employees. Additionally, a new KPI for artificial intelligence proficiency was introduced, which we measure and stands at 53%.

# Type of performance appraisals

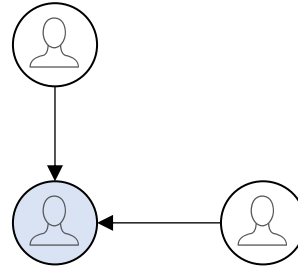
The development process is based on the evaluation of performance and managerial skills. We can define this as a "360° degree feedback" because is configured in 3 type of evaluation: self-evaluation, evaluation by colleagues and evaluation by supervisor. It is applied consistently throughout the company: it involves over 5 thousand people including employees, management employees, middle managers and managers. A distinguishing aspect is the dialogue on performance: a "two-way" exchange between manager and employee, where the duty to provide clarity and effectiveness by managers is accompanied by the commitment of each individual to use the feedback as an ongoing learning tool. This experience has led to a growing ability to assess oneself and others, while also showing the desire for reciprocal listening and the request for feedback for individual and professional growth. There are several methods to measure performance:

## Management by Objectives



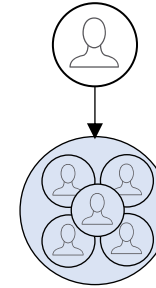
Every year line superiors assign targets in terms of both performances and managerial skills. Those targets are measured and tracked every quarter and reported in the yearly evaluation

## Multidimensional performance appraisal



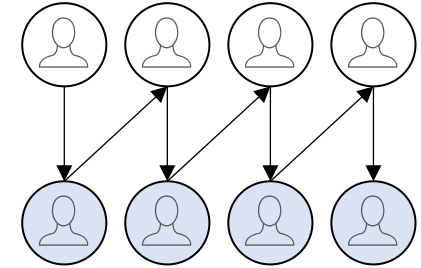
360° degree feedback: in the Oracle platform, employees self-evaluate and are evaluated by colleagues and line superiors

## Team based performance appraisal



In addition to the evaluation of each employee, an evaluation of the team is also carried out based on the respect of the assigned budget, the timing of the projects and the degree of cooperation with other teams.

## Agile conversation



During the year, regular conversations are held to share the progress of the projects, the difficulties encountered, and the solutions adopted to overcome them. Regular conversations are also held on the skill development plan, in order to adjust the training plan to the needs of each individual, modifying it based on the feedback received.

# Long term incentives for employees

## **Type of long-term incentive program**

Hera targets are declined into concrete projects assigned by the senior management to lower level managers and middle managers. Responsibilities and sub-targets are monitored 4 times a year and are the basis of the variable remuneration defined at year end. Once the annual sub-targets are reached, a part of the bonus (1/3) is paid in cash. After 3years, the sum of annual sub-targets achieved by each individual must meet the full l/t goal set: bonus paid may result in an amount lower than determined at the beginning of the l/t period (the progression on annual sub-target reached must meet the timing set at the beginning of the project to reach full theoretical bonus planned).

## **Type of employees below the senior management level the program applies to**

Cash bonuses recognized to 683 employees that are 2 levels away from CEO (BSC); Long term commercial policy recognised to 344 employees; Long term incentives recognized to 244 "high performance employees" (pool 360). We also promote the retention with 12 master degree and 21 other long term cash incentives. In total **13% of workforce receives long-term incentives for employees.**

## **Long term incentives include targets associated with sustainability performance**

Remuneration policy is defined so as to align the interest of various stakeholders and to achieve the priority objective of creating value in the medium-long term period and increasing the shared value generated. Strategic planning in Hera is a process that, by aiming at "Creating Shared Value", is by definition integrating ESG KPIs with Financial Targets also on l/t incentives (3 strategic objectives with equal weights: EVA, ratio NFP/EBITDA and target percentage of Created shared value (CSV) on EBITDA). The main l/t pre-set CSV and sustainability KPI are pursuing carbon neutrality, regenerating resources and closing the loop, enabling resilience and innovating and improve bases and organisational levers.

# Employee Support Programs

## Employee benefits

- **Workplace stress management**

“**The Sense of Well-Being**” project: a journey involving various stops in the Group’s various local areas. The journey focuses on positivity, wellbeing and promoting healthy choices whilst taking into account emotional, mental and physical aspects. We held events on specific issues and workshops led by various celebrities from the world of entertainment, music, art and sports endorsing them. Therefore, this is a project focusing on awareness and action as part of **Hextra for well-being**, the set of initiatives linked to the concept of individual mental, physical and financial well-being. These include: sessions with nutritionists, online yoga and Pilates classes, a platform to work out at home with a wellness professional or discounts for gym sessions with a dedicated trainer, free sessions with psychologists (4 for each applicant) and a podcast dedicated to emergency psychology to actively respond to the dramatic flood that hit the areas in Emilia-Romagna where the Group operates.

- **Sport and Health initiatives**

**Hextra for well-being** includes: sessions with nutritionists, online yoga and Pilates classes, a platform to work out at home with a wellness professional or discounts for gym sessions with a dedicated trainer, free sessions with psychologists (4 for each applicant) and a podcast dedicated to emergency psychology to actively respond to the dramatic flood that hit the areas in Emilia-Romagna where the Group operates.

The commitment to health and prevention continued with the “autumn of prevention” project. In partnership with LILT (Lega Italiana Lotta Tumori) screening tests were carried out showcasing our constant focus on protecting our health. In addition to the Hextra corporate welfare plan, the Hera Group offers several forms of supplementary healthcare for workers in compliance with the applicable collective bargaining agreement. In 2017, upon renewal of the national collective labour agreements, insurance policies were also set up in case of premature death (electricity national collective labour agreement) and of premature death and permanent disability (gas/water national collective labour agreement).

## Work conditions

- **Remote working**

The number of remote working days were increased as of June 2020: from one day/week to two days per week of potential remote working. During the healthcare emergency, these two days were further extended in cases provided for by law (e.g. at-risk people, need for distancing within the company). In 2025, in agreement with the trade unions, more flexibility has been introduced in the use of remote working: in fact, 8 days per month will be possible, even consecutively. It will also be possible to request to work the entire month in remote working in case of children under 12 months or particular health conditions.

- **Part-time**

The part-time formula, as governed by current employment contracts, is recognized as a useful tool for responding to the flexibility of work organization and the needs of workers. It is characterized by willingness, reversibility, compatibility with the technical, organizational and production requirements of the Company and the needs of the workers. Requests motivated by family needs for the health protection of or assistance to individuals with disabilities and duly certified serious medical conditions are taken into consideration as a priority.

- **Flexible hours**

Hera believes in meeting the needs of its employees by granting them flexibility in their working hours. Flexible hours are distinguished by being voluntary, reversible and compatible with both the company’s technical, organizational and productive requirements and its employees’ requests. Priority in granting the latter goes to family related needs such as providing health assistance or care for the disabled and for those suffering from a serious illness, once duly verified.

# Employee Support Programs

## Family benefits

### • **Childcare facilities and contributions**

Hextra's distinctive and traditional initiatives continued, including: the eighth edition of university scholarships, offering 54 scholarships worth 750 euro each; the eighth edition of language courses abroad with Intercultura, with eight scholarships worth 3,500 euro each for summer programmes; two scholarships worth 5,000 euro each for one term, and three scholarships worth 10,000 euro each for the entire academic year abroad. The continuation of the summer programme involved the following: an additional contribution of 175 euro per child to be used for the reimbursement of summer daycare/camps or, alternatively, for the reimbursement of babysitters or homework tutoring services with over 1,5 thousand requests. Furthermore, in continuity with previous years, confirmation went to the allocation of an education sum for employees who have school-age children came to a total investment of over 1.1 million euro. Namely, 3 thousand applications were received as part of all the projects set up to support the education of our employees' children. Of these, in 278 cases amounts were used by employees for crèche services. Fifteen applications to attend crèches with which the Group has agreements (in Bologna, Cesena and Imola) must be added, totalling 293 children.

### • **Breast-feeding/lactation benefits**

Within the first year of the child's age, the primary caregiver is entitled to two paid hours per day for breastfeeding if he/she has a full-time contract, while he/she is entitled to one paid hour per day for breastfeeding if she has a part-time contract.

### • **Paid parental leave for the primary caregiver**

A period of mandatory leave from work is recognized for female employees during pregnancy and the first months after the birth of a child, but also following adoption or foster care of a minor. The leave has a duration of five months. At the same time, an allowance is recognized. The measure is aimed at the father if the mother cannot benefit from it. Furthermore, employee parents have the right to a further optional period of leave from work within the first 12 years of life of each child, for a total period between the two parents not exceeding 9 months. In particular, the primary caregiver is entitled to 6 months and the non-primary caregiver to 3 months. For adoptive or foster parents, parental leave is granted within the first 12 years of the child's entry into the family. An economic support is provided to cover the period of leave, called precisely allowance. Therefore, maximum paid parental leave for the primary caregiver is 11 months (5 mandatory + 6 optional) or 44 weeks.

### • **Paid parental leave for the non-primary caregiver**

For the non-primary caregiver the mandatory leave is 17 days from following an agreement with the unions in the Pact for Good Work<sup>3</sup>, which can also be taken non-continuously. Furthermore, employee parents have the right to a further optional period of leave from work within the first 12 years of life of each child, for a total period between the two parents not exceeding 9 months. In particular, the primary caregiver is entitled to 6 months and the non-primary caregiver to 3 months. Therefore, the maximum paid parental leave for the non-primary caregiver is 3.77 months (0.77 mandatory + 3 optional) or 15.5 weeks.

### • **Paid family or care leave beyond parental leave**

Paid leave is provided in case of a situation of severity involving employees with disabilities, parents of children with disabilities and spouse, relatives or relatives of people with disabilities. The leave differs depending on the applicant and, in the case of parents, depending on the age of the child. Extraordinary leave allowance up to two years for the assistance of a family member with disability Employees cohabiting with family members with disabilities and in a situation of severity have the right to an extraordinary leave allowance. The extraordinary leave is a period of absence from work paid, which can last up to a maximum of two years over the course of working life. The leave is also divisible into days.

# Trend of Employee Wellbeing

The first climate survey was conducted eighteen years ago, in 2005: today we can confirm the soundness of the path taken by the Hera Group. The overall satisfaction score (ESI - Employee satisfaction index) increased by more than twenty points, and in general, the various areas investigated by the questionnaire (me, my team and manager, the company) received excellent scores.

In particular, Hera Group's main investments have been focused on ensuring the following: sharing of purpose, mission and values, employee safety, renewal of facilities (work spaces, canteen, equipment and devices), improvement of corporate communication, development of HR levers (training, leadership, welfare, agility, performance management, etc.).

The path of continuously listening to employees has supported the Group, not only in addressing and accommodating changes, but also in its ability to incorporate the different populations that have become part of the Hera Group over time by aligning and developing a shared culture.

The ESI, the main employee satisfaction indicator, continued to show a positive score in all Group areas: satisfaction, in fact, stood at 70/100. This data is the result of employees' appreciation of the ability shown by the company, top management and its leadership to define processes, projects and activities that meet the changing needs of people and the market. Overall, employee satisfaction improved, reaching 72, though there was a slight decline in other areas. Younger employees ( $\leq 34$  years old), as well as those over 50, had the highest satisfaction rates. Satisfaction with the managers and team area also increased. An action plan for improvement will be created and implemented in 2025.

|                                   | 2021 | 2022 | 2023 | 2024 | Target for 2024 |
|-----------------------------------|------|------|------|------|-----------------|
| Employee Satisfaction Index (ESI) | 71   | 71   | 70   | 70   | $\geq 70$       |
| Coverage of employees (%)         | 100  | 100  | 100  | 100  |                 |

Aspects that are addressed in employee surveys include:

- **ME:** my job, training and initiatives attended, salary
- **TEAM and MANAGERS:** roles, colleagues, managers
- **COMPANY:** tools and equipment, work environment and furnitures, maintenance/facility services, help desk, canteen service, welfare plan, internal communication, mission, values, promotion of work-life balance, promotion of diversity & inclusion, image of the Group, culture
- **MY SATISFACTION:** satisfaction, motivation, happiness, stress at work