

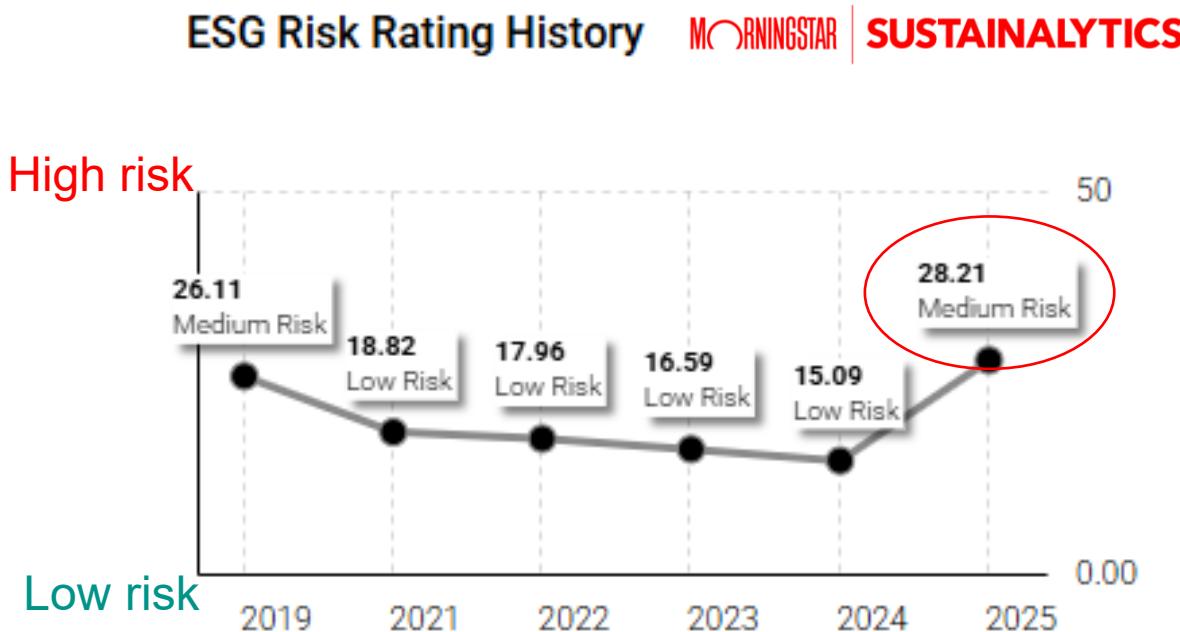
# *Analysis on Sustainalytics Risk Rating Report*

*Solid infrastructures for a long-term sustainable strategy*

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

# 2025 Sustainalytics Risk Rating Report

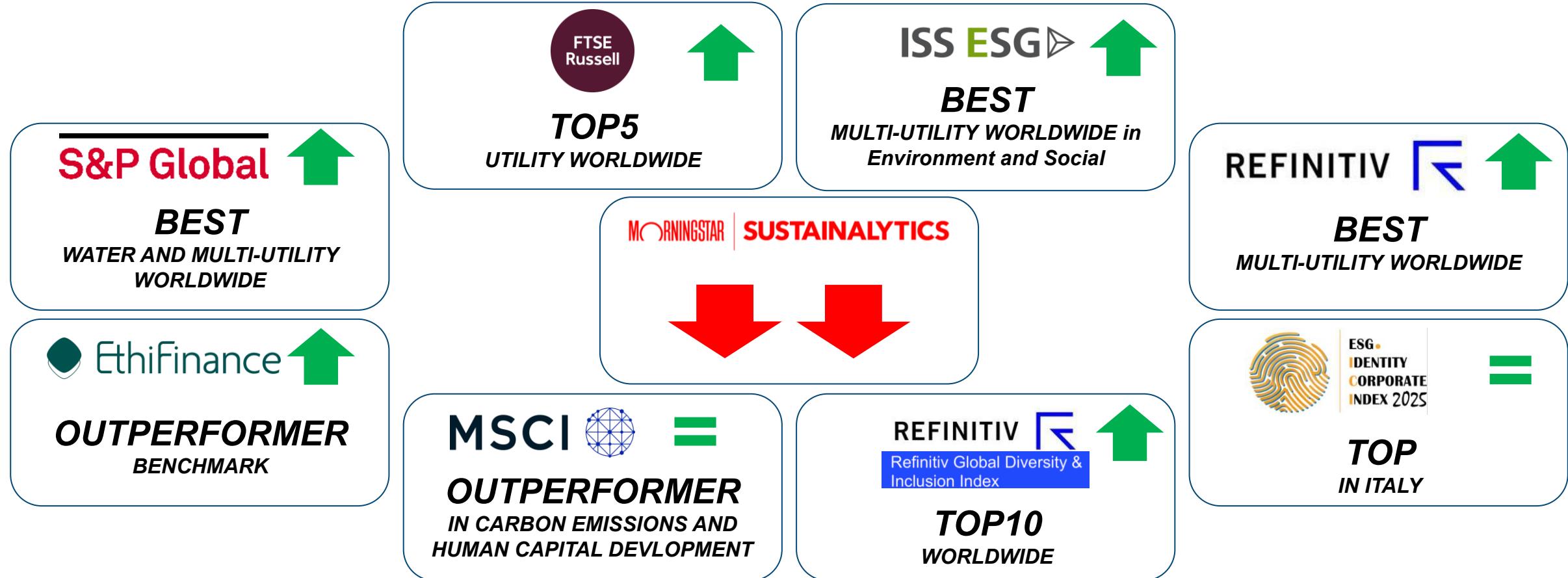
Strong ESG underperformance for Hera is highlighted by Sustainalytics: the rating worsened



*Is this a general perception of ESG rating agencies?*

# 2025 ESG ratings

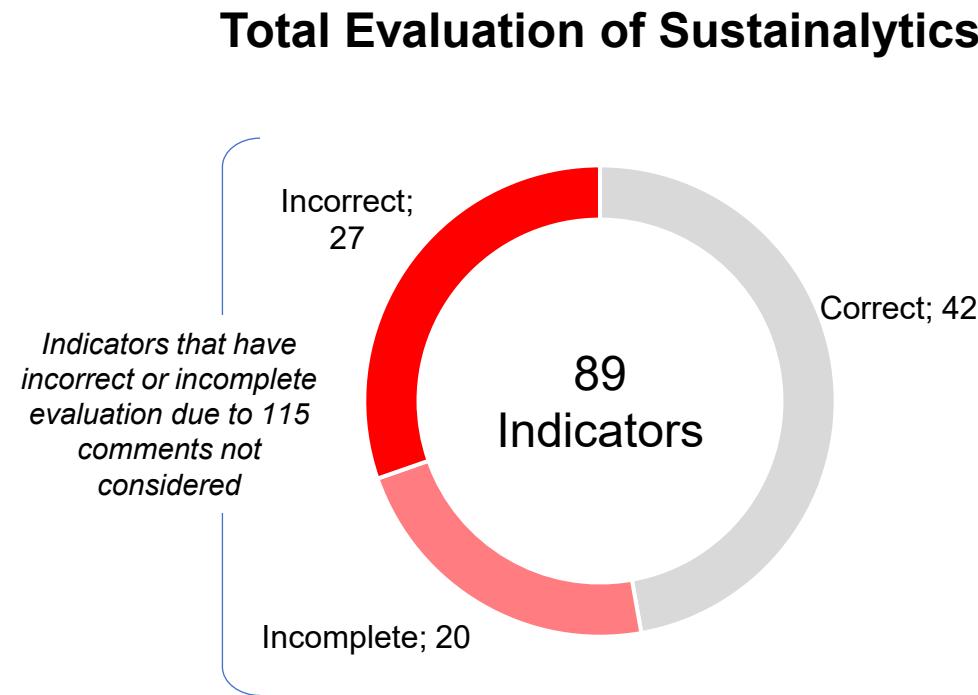
The Sustainalytics rating is completely misaligned with the ratings received this year from the main ESG rating agencies



***Is Sustainalytics right or wrong?***

# 2025 Sustainalytics Risk Rating Report: 53% wrong analysis

The Sustainalytics rating is not up to date as it does not take into account all the public documents transparently provided by Hera



94% of comments with publicly available references have not been considered

# **Hera Risk Management practices have enhanced**

- Strategic priority “Risk Management” has underpinned ever growing results (22 years of track record)
- Sustainalytics rating would have been at least equal to last year considering all the public available data, confirming Hera as a top performing company in the multi-utility sector
- We cannot allow the rating to remain incorrect for the next two years, given that the rating is reviewed every two years, as this would mislead investors’ assessments
  - Transparently we have set out in the following pages the evidence of our statements

**Strong execution on Business Plan 3<sup>rd</sup> strategic pillar (Risk Management)**

# Occupational Health and Safety (1/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.1.6.5	Lost-Time Incident Rate Trend	Disclosure on the company's lost-time incident rate is insufficient to determine its performance (three year trend)	<p><b>FALSE</b></p> <p>On page 195 of the 2024 Financial Report, the LTIFR for 2023 and 2024 is shown. On page 267 of the 2023 Sustainability Report, the LTIFR for 2023, 2022, and 2021 is indicated. Therefore, it is sufficient to list the last three years (from 2022 to 2024). These are the values: 12.8 (2022), 12.6 (2023), 12.5 (2024).</p>
S.1.6.6	Employee Fatality Rate	Disclosure on employee fatalities is insufficient to determine the company's performance	<p><b>FALSE</b></p> <p>On page 195 of the 2024 Financial Report, the number of fatalities for 2023 and 2024 was zero. According to the 2023 Sustainability Report, page 267, the number of fatalities was 2 in 2022, with a fatality rate of 0.14. Therefore, it is sufficient to list the last three years (from 2022 to 2024). These are the values: 0.14 (2022), 0.0 (2023), 0.0 (2024).</p>
S.2.2.6	Contractor Fatalities	Disclosure is insufficient to assess the company's performance in this area (three year sum)	<p><b>FALSE</b></p> <p>On page 201 of the 2024 Financial Report, in the table "Number of and rate of accidents and injuries at suppliers of services and works", the number of fatalities (Number of deaths as a result of accidents at work) in 2023 and 2024 was zero. According to the 2023 Sustainability Report, page 293, the number of fatalities (Number of deaths as a result of accidents at work) was also zero in 2022. Therefore, the sum of the last three years is: 0 + 0 + 0 = 0.</p>

# Occupational Health and Safety (2/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.2.2.5	Contractor Safety Programme	The company has a weak programme	<b>FALSE</b>
	1) Compliance with safety guidelines included in contractual agreements	No	<p><b>YES</b></p> <p>The document Risk and Sustainability Management in Hera Supply Chain (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf</a>) explicitly states that: "During the contract execution phase, continuous monitoring of suppliers is ensured with particular attention given to compliance with environmental, energy efficiency, quality, safety, anti-corruption and corporate social responsibility requirements by all parties involved, covering the entire supply chain, including subcontractors and sub-suppliers. In addition, annual on-the-spot audits are carried out at suppliers' sites who have a particularly critical level of risk, as evaluated by the vendor risk tool described under the Supply Chain Risk Management model. These audits are managed by hiring third-party auditors (duly certified in relation to the standards to be verified), to guarantee the process based on transparency and independence adopted by the Group, to verify compliance with the principles and standards involving ISO9001 45001 37001 SA8000 / Corporate Social Responsibility, that establish guidelines and requirements to ensure quality, efficiency and sustainability."</p>
	2) Monitoring of contractor safety performance	No	<p><b>YES</b></p> <p>The document Risk and Sustainability Management in Hera Supply Chain (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf</a>) explicitly states that: "Each year, additional audits are carried out directly at Hera Group worksites by the Supply chain audit and monitoring department, along with the Quality, Safety and Environment Department. These monitoring activities integrate the periodic audits of the company contract manager to assess the quality of performance and compliance with ESG requirements, including the proper management of any possible subcontracts, as well as the verification of CSR elements. If any non-conformity is detected, during periodic monitoring or audits/inspections, specific corrective actions and improvement plans are implemented and their actual progress is checked. Hera provides also technical support during the implementation of the improvement plans."</p>

# Occupational Health and Safety (3/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.2.2.5	Contractor Safety Programme	The company has a weak programme	<b>FALSE</b>
	3) Objective or targets regarding contractor safety	No	<p><b>YES</b></p> <p>Hera's objectives for supply chain safety are set out in the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a>), which states that all suppliers must:</p> <ul style="list-style-type: none"> <li>• adopt an occupational health and safety management system, compliant with ISO 45001, with accredited certification</li> <li>• promote a safety culture that will progressively reduce the accident rate</li> <li>• recognise and enhance the strategic role of key figures in occupational safety, especially those having responsibility, by adopting specific training, incentives and rewards linked to their active commitment to risk prevention</li> </ul> <p>Furthermore, the document Risk and Sustainability Management in Hera Supply Chain (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcdb53e54bcc7db3?t=1753342353907">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcdb53e54bcc7db3?t=1753342353907</a>) sets out the targets in terms of audits, corrective actions, and capacity building programmes.</p>
	4) Prescreening of contractors for safety performance and risks	No	<p><b>YES</b></p> <p>The document Risk and Sustainability Management in Hera Supply Chain (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcdb53e54bcc7db3?t=1753342353907">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcdb53e54bcc7db3?t=1753342353907</a>) explicitly states that: "Suppliers are requested to provide information and supporting evidence on their ESG maturity through a ad hoc questionnaire. This information is then reviewed, verified and analyzed in order to assign a rating. The requirements monitored indicatively include: ... employees' health and safety"</p>

# Occupational Health and Safety (4/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.2.2.5	Contractor Safety Programme	The company has a weak programme	<p><b>FALSE</b></p> <p><b>YES</b>            On page 25 of the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a>), there is an entire section dedicated to the supplier safety policy:            Suppliers shall ensure safe working environments and adopt measures for prevention and protection that encourage responsible health and safety behaviour, and shall therefore:  <ul style="list-style-type: none"> <li>• promote the development of a culture of prevention by eliminating or minimising hazards and risks in order to prevent occupational accidents and illnesses;</li> <li>• ensure that employees are adequately trained, informed and instructed;</li> <li>• periodically check safety conditions and the level of their personnel's training, awareness, preparedness and emergency response capability;</li> <li>• provide staff with a safe and healthy working environment with adequate and clean changing rooms and toilets;</li> <li>• provide their personnel with suitable devices and equipment, in compliance with safety requirements and in adequate quantities;</li> <li>• provide their personnel with protective equipment consistent with an appropriate risk assessment;</li> <li>• actively cooperate in ensuring cooperation and coordination among prevention and protection measures, against risks due to interference between tasks carried out by the various companies involved in the overall work;</li> <li>• promptly notify Hera of any information and incidents occurring during the performance of their activities, and provide an annual report on this matter. Hera reserves the right to initiate a more in-depth analysis, in cooperation with the supplier, to identify the causes of the event and the corrective and preventive actions necessary to avoid its recurrence.</li> </ul>           Furthermore, in the Policy for Quality and Sustainability (link <a href="https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability">https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability</a>) it is stated that: "Encourage at all levels of our organisation the development of a culture of health and safety, quality, sustainability, prevention of corruption, circular economy and operational continuity, as well as innovation, also getting suppliers, customers and partners involved, thus promoting the development of skills for staff and motivating them to improve their sense of responsibility and awareness of their role"</p>
	5) Policy commitment to protect the safety of contractors	No	

# Carbon – Own operations (1/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.1	Environmental Policy	The company has a strong policy	<b>INCOMPLETE</b> , the highest rating was not given because, inexplicably, two ticks were removed (which had always been accepted in previous rating revisions). See below for evidence of the error made by Sustainalytics.
	1) Commitment to monitor the company's environmental performance	No	<b>YES</b> In the Quality and sustainability policy (link <a href="https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability">https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability</a> ) it is included the commitment to "Publish the Sustainability Report annually in order to communicate the Group's ongoing commitments and the results achieved" and "The top management of Hera S.p.A. and of the Group's companies is engaged in respecting and implementing the commitments contained in this Policy, ensuring and periodically verifying that it is documented, made operational, reviewed, distributed to all staff and transparent to all stakeholders". Please also consider that this comment had already been provided during the last review and the comment was accepted.
	2) Commitment to report regularly on environmental issues	No	<b>YES</b> In the Quality and sustainability policy (link <a href="https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability">https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability</a> ) it is included the commitment to "Publish the Sustainability Report annually in order to communicate the Group's ongoing commitments and the results achieved" and "The top management of Hera S.p.A. and of the Group's companies is engaged in respecting and implementing the commitments contained in this Policy, ensuring and periodically verifying that it is documented, made operational, reviewed, distributed to all staff and transparent to all stakeholders". Please also consider that this comment had already been provided during the last review and the comment was accepted.

# Carbon – Own operations (2/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.3	EMS Certification	Between 50% and 75% of the company's activities have received external verification	<b>FALSE</b> At page 89 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ) it is explicitly stated that 88% of operations are certified ISO 14001 – Environment
E.1.6.1	GHG Risk Management	The company has an adequate risk management programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Description of the impact of climate change related transition risks including downside risks and opportunities on business strategy and financial planning	No	<b>YES</b> For reasons of space, we are not including the entire response here. We kindly ask you to refer to page 3 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a> ) to verify for yourselves that the description is present.
	2) Description of the resilience of the strategy, taking into account different climate scenarios – <b>qualitatively</b> relating to previously disclosed transition risks and opportunities	No	<b>YES</b> At page 3 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a> ) it is explicitly stated that: Climate transition risks are integrated into Enterprise Risk Management, strategic planning, budgeting, investment management and new business development processes. This integration is achieved through: <ul style="list-style-type: none"><li>• <b>Qualitative</b> and quantitative climate scenario analysis in defining medium- to long-term strategies</li><li>• Assessment of the impact of transition risks on assets, products and services</li><li>• Integration of climate risks into investment plan</li><li>• Alignment of company policies with decarbonisation objectives and ESG standards</li></ul> Transition risks and opportunities are integrated into business strategy through the adoption of GHG emission reduction targets, investment in low-carbon technologies and the implementation of energy diversification strategies. These elements are reflected in financial planning... The resilience of Hera's strategy is tested through the analysis of different climate scenarios, both <b>qualitative</b> and quantitative, considering the evolution of decarbonisation policies, technological trends and changes in market behaviour. The company adopts a proactive approach, assessing the adaptability of its strategies in the event of accelerated transition scenarios or increased regulatory pressure. Thanks to this approach, Hera is able to promptly identify emerging opportunities and mitigate risks arising from a non-linear transition, ensuring solidity and competitiveness in the long term.

# Carbon – Own operations (3/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.6.1	GHG Risk Management	<p>The company has an adequate risk management programme</p> <p>3) Description of the resilience of the strategy, taking into account different climate scenarios – utilising <b>quantitative</b> scenario analysis relating to previously disclosed transition risks and opportunities</p>	<p><b>INCOMPLETE</b>, the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.</p> <p><b>YES</b>  At page 3 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) it is explicitly stated that: Climate transition risks are integrated into Enterprise Risk Management, strategic planning, budgeting, investment management and new business development processes. This integration is achieved through: <ul style="list-style-type: none"> <li>Qualitative and <b>quantitative</b> climate scenario analysis in defining medium- to long-term strategies</li> <li>Assessment of the impact of transition risks on assets, products and services</li> <li>Integration of climate risks into investment plan</li> <li>Alignment of company policies with decarbonisation objectives and ESG standards</li> </ul> Transition risks and opportunities are integrated into business strategy through the adoption of GHG emission reduction targets, investment in low-carbon technologies and the implementation of energy diversification strategies. These elements are reflected in financial planning... The resilience of Hera's strategy is tested through the analysis of different climate scenarios, both qualitative and <b>quantitative</b>, considering the evolution of decarbonisation policies, technological trends and changes in market behaviour. The company adopts a proactive approach, assessing the adaptability of its strategies in the event of accelerated transition scenarios or increased regulatory pressure. Thanks to this approach, Hera is able to promptly identify emerging opportunities and mitigate risks arising from a non-linear transition, ensuring solidity and competitiveness in the long term.</p>
	<p>4) Prioritisation of adaption and mitigation plans and measures associated with transition risks, with integration into business and financial planning including capex spent and/or R</p>	No	<p><b>YES</b>  At page 3 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) it is explicitly stated that: Climate transition risks are integrated into Enterprise Risk Management, strategic planning, budgeting, investment management and new business development processes. This integration is achieved through: <ul style="list-style-type: none"> <li>Qualitative and quantitative climate scenario analysis in defining medium- to long-term strategies</li> <li>Assessment of the impact of transition risks on assets, products and services</li> <li>Integration of climate risks into investment plan</li> <li>Alignment of company policies with decarbonisation objectives and ESG standards</li> </ul> Transition risks and opportunities are integrated into business strategy through the adoption of GHG emission reduction targets, investment in low-carbon technologies and the implementation of energy diversification strategies. These elements are reflected in financial planning: the Business Plan to 2028 provides for the allocation of dedicated resources to decarbonisation projects, infrastructure resilience and sustainable innovation. In particular: <ul style="list-style-type: none"> <li>1.1 b€ in decarbonisation projects</li> <li>2.4 b€ in projects to increase infrastructure resilience to climate events</li> <li>2.0 b€ in circular economy projects</li> <li>1.3 b€ in innovative projects for the digitalisation and experimentation of new technologies</li> </ul> </p>

# Carbon – Own operations (4/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.7.0	GHG Reduction Programme	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because one tick weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Adoption of key mitigation technologies	No	<b>YES</b> At page 6 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a> ) several initiatives are presented to adopt technologies for mitigating GHG emissions, the most significant of which is probably the installation of carbon capture technology at the Ferrara waste-to-energy plant. This project has been awarded a contribution of 24 million euros from the European Commission's Innovation Fund, out of a total investment of 53 million euros. It is the first project of its kind in Italy and among the first in Europe.
E.1.10	Carbon Intensity Trend	The company's carbon emissions intensity trend is well above its subindustry or industry benchmark	<b>FALSE</b> As can be verified on page 7 of document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a> ), carbon emissions intensity has fallen by 37.5% over the past 5 years and by 25.7% over the past 3 years. We doubt that this figure is significantly worse than that of peers, as Sustainalytics claims. Furthermore, their assessment is opaque: they do not state who the peers are or what the benchmark average is.
E.3.1.18	Transmission Loss Rate	Disclosure is insufficient to assess the company's performance in this area	<b>FALSE</b> In the document KPI Customers (link <a href="https://eng.gruppohera.it/documents/1514726/0/KPI+Customers.pdf/cf746ea2-7792-d452-c12e-30d5b470d052?t=1752849259844">https://eng.gruppohera.it/documents/1514726/0/KPI+Customers.pdf/cf746ea2-7792-d452-c12e-30d5b470d052?t=1752849259844</a> ) transmission loss rate (electricity technical distribution losses) for the last three years is disclosed

# Emissions, Effluents and Waste (1/6)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.6.1	Solid Waste Management	The company has a weak programme	<b>FALSE</b>
	1) Initiatives to ensure proper disposal of hazardous waste	No	<p><b>YES</b></p> <p>At page 3 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: Hera is committed to reduce hazardous waste disposal, also thanks to cutting-edge facilities that reduce the volumetry, and promotes a series of initiatives to constantly improve hazardous waste management and raise awareness among communities and businesses about the importance of correct treatment:</p> <ul style="list-style-type: none"> <li>• Technological Innovation: Investment in cutting-edge facilities that reduce emissions and maximise the efficiency of treatment processes.</li> <li>• Training and Information: Training courses for staff and awareness campaigns aimed at clients and communities, to promote a culture of safety and prevention.</li> <li>• Environmental Certifications: Adoption of certified management systems (ISO 14001, EMAS) that guarantee compliance with the highest environmental standards.</li> <li>• Research and Development: Collaboration with universities and research centres to develop new solutions for the treatment and recovery of hazardous waste.</li> <li>• Transparency and Social Responsibility: Publication of sustainability reports and ongoing dialogue with authorities and local communities.</li> </ul> <p>Hera and Eni have entered into a partnership for the recovery of used oils. Hera has strengthened the collection of used oils by introducing 300 dedicated containers in the areas it serves. Around 800 tonnes of used oil are collected each year, which are then processed to be reused as lubricants or for energy recovery. This increasingly widespread service, by encouraging proper recovery, also aims to prevent environmentally harmful behaviour. Hera has also developed recycling centres in every municipality where it operates, allowing residents to bring their hazardous waste for proper disposal. Responsible behaviour by citizens is rewarded with discounts on their bills.</p>
	2) Initiatives to recycle solid waste	No	<p><b>YES</b></p> <p>For reasons of space, we are not including the entire response here. We kindly ask you to refer to page 2 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) to verify for yourselves that the initiatives to recycle solid waste are presented.</p>

# Emissions, Effluents and Waste (2/6)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.6.1	Solid Waste Management	The company has a weak programme	<b>FALSE</b>
	1) Initiatives to reduce solid waste	No	<b>YES</b> For reasons of space, we are not including the entire response here. We kindly ask you to refer to page 1 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) to verify for yourselves that the initiatives to recycle solid waste are presented.
	2) Initiatives to reuse solid waste	No	<b>YES</b> For reasons of space, we are not including the entire response here. We kindly ask you to refer to page 1 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) to verify for yourselves that the initiatives to recycle solid waste are presented.
	3) Policy commitment to manage waste responsibly or reduce solid waste	No	<b>YES</b> At page 1 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: As the leading Italian operator in waste management, the Hera Group is committed every day to providing an efficient and responsible service, fully respecting local communities and the environment in which it operates. Aware of its role as a benchmark in the sector, Hera adopts innovative and sustainable approaches, promoting separate collection, recycling and the reuse of materials, with the aim of minimising the environmental impact of waste. Hera consistently invests in cutting-edge technologies to optimise the collection, treatment and disposal of waste, reducing emissions and supporting the transition towards a circular economy. The Group is also dedicated to raising public awareness, encouraging virtuous behaviours and promoting environmental education campaigns.

# *Emissions, Effluents and Waste (3/6)*

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.6.3	Effluent Management	The company has an adequate programme	<b>INCOMPLETE</b> , the highest rating was not given because two ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Incident investigation and corrective action	No	<b>YES</b> At page 11 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Group procedures to carry out controls and to handle anomalies/non-conformities of wastewater discharges in the served areas are compliant with both UE and Italian regulations. In addition, all emergency interventions in the areas affected by 2022 floods, financed by the Government, such as sewage and aqueduct grids, purification plants, sewage lifts and drinking water reservoirs were carried out by Hera and completed in 2023.
	2) Policy commitment to manage or reduce effluents	No	<b>YES</b> At page 11 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: The Group is committed to reduce, reuse and recycle effluents as much as possible even if own activities produce negligible wastewater.

# *Emissions, Effluents and Waste (4/6)*

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.3.1	Emergency Response Programme	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because one tick wasn't assigned. See below for evidence of the error made by Sustainalytics.
	1) Managerial responsibility for emergency preparedness, response and investigation	No	<b>YES</b> In the document Crisis Management of the Hera Group (link <a href="https://eng.gruppohera.it/group_eng/communication-media/Our-Crisis-Management-Model">https://eng.gruppohera.it/group_eng/communication-media/Our-Crisis-Management-Model</a> ) it is explicitly stated that: Our Crisis Management policy establishes the guidelines and operational processes for the management of crisis events. In line with the best practices of the sector, the policy ensures the correct identification, assessment, management and monitoring of crises to which all the companies of Hera Group may potentially be exposed. The model includes policies, procedures and operating instructions whose purpose is to encourage compliance with regulatory requirements on emergencies and the execution of plans for the continuity and reinstatement of the activities, resources and infrastructures necessary to provide the services. Our Crisis Committee ensures the correct and effective operational management of the critical event. The Crisis Committee is activated only in cases involving an emergency that might endanger the solidity and reputation of the company or seriously compromise the interests of our stakeholders. Its function is to collect and analyse useful information in order to assess the alert state and declare the state of crisis. In an emergency situation, the Crisis Committee evaluates the type of event that has occurred and the causes, the degree the service has been compromised, the possible impacts on the stakeholders and the implications in terms of the safety of persons; the Committee also declares a state of crisis by deciding the activation of the measures provided in the respective Crisis Management Plans.

# Emissions, Effluents and Waste (5/6)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.3.2	Hazardous Waste Management	The company has a weak programme	<b>FALSE</b>
	1) Commitment to reduce hazardous waste	No	<b>YES</b> At page 3 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Hera is committed to reduce hazardous waste disposal, also thanks to cutting-edge facilities that reduce the volumetry, and promotes a series of initiatives to constantly improve hazardous waste management and raise awareness among communities and businesses about the importance of correct treatment
	2) Initiatives to reduce hazardous waste	No	<b>YES</b> At page 3 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Hera is committed to reduce hazardous waste disposal, also thanks to cutting-edge facilities that reduce the volumetry, and promotes a series of initiatives to constantly improve hazardous waste management and raise awareness among communities and businesses about the importance of correct treatment: <ul style="list-style-type: none"><li>• Technological Innovation: Investment in cutting-edge facilities that reduce emissions and maximise the efficiency of treatment processes.</li><li>• Training and Information: Training courses for staff and awareness campaigns aimed at clients and communities, to promote a culture of safety and prevention.</li><li>• Environmental Certifications: Adoption of certified management systems (ISO 14001, EMAS) that guarantee compliance with the highest environmental standards.</li><li>• Research and Development: Collaboration with universities and research centres to develop new solutions for the treatment and recovery of hazardous waste.</li><li>• Transparency and Social Responsibility: Publication of sustainability reports and ongoing dialogue with authorities and local communities.</li></ul> Hera and Eni have entered into a partnership for the recovery of used oils. Hera has strengthened the collection of used oils by introducing 300 dedicated containers in the areas it serves. Around 800 tonnes of used oil are collected each year, which are then processed to be reused as lubricants or for energy recovery. This increasingly widespread service, by encouraging proper recovery, also aims to prevent environmentally harmful behaviour. Hera has also developed recycling centres in every municipality where it operates, allowing residents to bring their hazardous waste for proper disposal. Responsible behaviour by citizens is rewarded with discounts on their bills.
	3) Targets and deadlines	No	<b>YES</b> At page 4 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) targets and deadlines related to hazardous waste management are presented

# Emissions, Effluents and Waste (6/6)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.3.3	Non-GHG Air Emissions Programmes	The company has a weak programme	<b>FALSE</b>
	1) Commitment to reduce non-GHG air emissions	No	<p><b>YES</b></p> <p>At page 1 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) it is explicitly stated that: The Hera Group, in line with its mission of sustainability and environmental responsibility, is actively committed to reducing non-GHG emissions (gases other than greenhouse gases such as CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O). These emissions include pollutants such as nitrogen oxides (NOx), sulphur oxides (SOx) and other substances that have a direct impact on air quality and public health.</p>
	2) Deadlines to reduce non-GHG air emissions	No	<p><b>YES</b></p> <p>At page 1 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) targets and deadlines (2027) of non-GHG air emissions reduction are disclosed</p>
	3) Initiatives to reduce non-GHG air emissions	No	<p><b>YES</b></p> <p>At page 1 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) initiatives to reduce non-GHG air emissions are presented: Initiatives for the Reduction of Non-GHG Emissions</p> <ul style="list-style-type: none"> <li>Adoption of Advanced Technologies at Plants: Hera invests in the modernisation of waste treatment and water purification plants through filtration technologies and systems to reduce emissions of particulates, NOx, and SOx. The installation of fabric filters, scrubbers, and advanced oxidation systems significantly reduces the release of pollutants into the atmosphere.</li> <li>Optimisation of Corporate Mobility: The company fleet is gradually being converted to low-emission or zero-emission vehicles, such as electric, hybrid, and methane-powered cars, thereby reducing NOx and PM emissions in urban areas.</li> <li>Continuous Control and Monitoring: Hera implements real-time monitoring systems for atmospheric emissions at its main plants, ensuring constant compliance with regulatory limits and transparency for citizens and stakeholders.</li> <li>Energy Efficiency Initiatives: The company promotes energy-saving measures in buildings and industrial processes to limit energy consumption and, consequently, the emissions of pollutants linked to combustion.</li> <li>Promotion of Separate Waste Collection: Increasing separate collection and recycling helps to reduce the amount of waste sent to incinerators, thereby lowering emissions of particulates, NOx, SOx, and other harmful compounds.</li> <li>Education and Awareness Projects: Hera develops educational campaigns aimed at citizens, schools, and businesses to promote virtuous behaviours that help reduce polluting emissions, such as sustainable mobility and energy saving.</li> </ul>
	4) Targets to reduce non-GHG air emissions	No	<p><b>YES</b></p> <p>At page 1 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a>) targets and deadlines (2027) of non-GHG air emissions reduction are disclosed</p>

# Community Relations (1/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.4.2.2	Community Involvement Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) A formal system for identifying local stakeholders or communities of interest	No	<p><b>YES</b></p> <p>In the document Stakeholder Engagement Programs (link: <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf</a>) it is explicitly stated that: We have defined a stakeholder map. For each category we have identified: • The composition and the objectives; • The priorities; • Listening, dialogue and consultation activities during the year.</p> <p>Furthermore, in the Stakeholder Engagement Guidelines (link <a href="https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151">https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151</a>) it is explicitly stated that: Each category of stakeholder identified has specific interests and priorities and is the recipient of targeted dialogue and engagement initiatives. These initiatives allow to consider any requests and suggestions, activating the appropriate tools for participation and information regarding company prospects, initiatives and decisions.</p>
	2) Community consultation guidelines	No	<p><b>YES</b></p> <p>In the document Stakeholder Engagement Guidelines (link <a href="https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151">https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151</a>) it is explicitly stated that: Hera intends to contribute to the ecological transition and is committed to giving due regard to the life of the communities in which it operates, listening to their suggestions. To this end, it sets up: informational, listening, consultation and participatory initiatives, adopting specific tools, with particular regard to those communities which are located in the vicinity of its present and future plants, collaborations that can generate environmental, social and cultural benefits. Hera seeks the cooperation of residents and supports their positive behaviour.</p> <p>In the document Stakeholder Engagement Programs (link: <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf</a>) it is explicitly stated that: With reference to the involvement of local communities near Hera plants, impact assessments are carried out and channels of dialogue and discussion are set up, with the patronage and support of the Municipalities that coordinate the various interest groups such as committees, associations, purpose-driven cooperatives, to discuss the interventions and activities to be carried out in order to listen to requests and perform actions together, insofar as possible and in line with the construction needs. Other non-verbal communications are expressed on the panels around the construction sites, which describe the works in progress and indicate the stakeholders and other entities that support and/or are involved in the works. Regular updates on projects are provided and feedbacks from local stakeholders are collected.</p> <p>The channels of dialogue and discussion with communities should be set up during authorisation and/or construction of the works and/or management of the plant by the Municipality in which it is located. In general, this involves public meetings, technical round tables, reporting of activities within open board committees.</p>

# Community Relations (2/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.4.2.2	Community Involvement Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	3) Executive responsibility for community relations	No	<p><b>YES</b></p> <p>In the document Stakeholder Engagement Guidelines (link <a href="https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151">https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151</a>), section Stakeholder engagement governance and responsibilities, at page 2 and at page 5, it is explicitly stated that: 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 (<i>each Department is then listed</i>)...The approval and oversight of these Guidelines is a responsibility of the Board of Directors.</p>
	4) Operation-specific responsibility for community relations	No	<p><b>YES</b></p> <p>In the document Stakeholder Engagement Programs (link: <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf</a>) it is explicitly stated that: The engagement and dialogue programs for local stakeholders, applied in all the territories in which Hera operates, are:</p> <ul style="list-style-type: none"> <li>• Hera LABs: local multi-stakeholder boards that Hera provides to the local areas in which it delivers its services to open a structured channel for listening to and discussing with local communities</li> <li>• Area Managers to facilitate relations with the reference areas.</li> </ul> <p>In the document Stakeholder Engagement Guidelines (link <a href="https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151">https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1623759052151</a>): The main engagement and dialogue activities carried out with the Company's stakeholders are: Local community: multi-stakeholder councils (HeraLAB), web portal for consumer associations, meetings with consumer associations, including vulnerable groups (national, regional, provincial and local associations), guided tours of waste treatment and recovery plants, Hera Group's communication on the local, regional and national news media; 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. In particular: Relations with Local Authorities Department is in charge of local community and authorities' engagement.</p>

# Community Relations (3/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.4.2.11	Community Development Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Community development targets and deadlines	No	<p><b>YES</b></p> <p>At pages 204-205 of Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>): The sustainability objectives relating to the affected communities are defined annually on the basis of consolidated planning and control processes at Group level aimed at defining the five-year Business plan, the budget and the annual balanced scorecards. These integrated tools include sustainability objectives in conjunction, when possible, with quantitative targets. Below are the main objectives and commitments relating to the affected communities (We will do) accompanied by a description of the progress achieved in relation to the objectives published in the Non-Financial Statement 2023 (We said we would do, We did). These objectives are aimed at managing affected communities and addressing relevant impacts, risks and opportunities. They are described below as part of the dialogue with our stakeholders. In the 'What we will do' box there is the target to launch HeraLab (local councils) in two new areas with 2025 as the deadline</p>
	2) Initiatives to promote economic development after closure	No	<p><b>YES</b></p> <p>At page 202 of Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>): Given the Group's activities and its presence in the local area via the services provided and the plants managed, a negative impact associated with NIMBY syndrome has been identified, which refers to community concern about the presence or new planning projects of Group plants that could generate potential negative impacts on the health, wellbeing and quality of life of local communities. The stakeholders most affected by this impact are those who live and work in the areas surrounding the plants managed by the Group, with particular reference to waste treatment and energy production plants. For more details on how potential negative environmental impacts of interest to local communities are monitored, see section E2 - "Pollution", which provides information on the environmental parameters monitored. On the other hand, Hera's widespread presence in the areas served allows the Group to play a very important role in promoting cultural change, in economic support of communities and in generating important environmental and social benefits for local communities. In particular, the Group positively influences the local area through:</p> <ul style="list-style-type: none"> <li>• donations and sponsorships</li> <li>• sustainable waste management to support the transition to a circular economy and which reduces the risk to public health by promoting a cleaner, safer and healthier environment for residents;</li> <li>• the promotion of a cultural change to support the environmental transition, which involves increased awareness and the adoption of responsible behaviour by residents, customers and businesses.</li> </ul>

# Community Relations (4/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.4.2.11	Community Development Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	3) Monitoring of community development programmes	No	The monitoring of development programmes in local communities is carried out by the Central Strategy, Regulation and Local Authorities Department of Hera, through the Area Managers, and is reported in the Financial report on pages 202 and 203 (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ) as well as in the document Stakeholder Engagement Programmes in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/stakeholder-engagement-programs-pdf</a> ). The texts are not included here due to space constraints.
	4) Systematic involvement of local stakeholders in community development planning and/or monitoring	No	For reasons of space, we do not include the entire paragraph introducing the HeraLabs (local stakeholder councils), which are tasked with serving as a systematic method for involving the local communities in which Hera provides its primary services. Their purpose is to develop cooperative and developmental initiatives for the community in the fields of decarbonisation and the circular economy. Please refer to the paragraph 'Tools for involving peoples' on pages 202 and 203 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ).

# Water Use – Own Operations (1/5)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.7.1	Water Risk Management	The company has a weak programme	<b>FALSE</b>
	1) The company assigns executive or board-level responsibility for addressing water-related risks	No	<b>YES</b> At page 7 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Water risk management within the Hera Group is considered a strategic priority, entrusted directly to the Board of Directors. This body holds the ultimate responsibility for supervising, approving, and guiding policies and strategies related to the sustainable management of water resources. The Board regularly monitors water-related risks and opportunities, ensuring that decisions taken are consistent with sustainability objectives and current regulations.
	2) The company discloses a general statement on water risk management	No	<b>YES</b> At page 7 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Hera begins its water risk management process by systematically identifying and assessing risks across its operations. This includes evaluating both natural and human-induced hazards such as droughts, flooding, contamination, infrastructure failures, and regulatory changes. The company utilises advanced modelling tools, risk mapping, and scenario analysis to understand the likelihood and potential impact of these risks.
	3) The company has implemented climate mitigation and/or adaptation initiatives based on water risk assessment outcomes	No	<b>YES</b> At page 7 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: Based on the risk assessment results, Hera has implemented numerous mitigation and adaptation initiatives. These include optimising water abstraction and distribution processes, adopting innovative technologies for monitoring water networks, reducing losses, and resorting to alternative sources. Furthermore, Hera promotes awareness campaigns for responsible water use and actively collaborates with local authorities and stakeholders to develop shared solutions for climate change adaptation. You can also read all the programmes from page 8 to page 11 of the document, which we are not including here due to space constraints.
	4) The company integrates risk assessment outcomes into its business strategy	No	<b>YES</b> At pages 7-8 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) water risk assessment outcomes are disclosed. In particular at page 7: The results of the water risk assessments are incorporated into Hera's corporate strategy. The company uses this information to define targeted action plans, direct investments, and update its environmental policies. Integration takes place both in multi-year planning and in daily operational management, ensuring that strategic decisions consider current and future water risks.
	5) The company reports on water risk assessment outcomes	No	<b>YES</b> Due to space constraints, we are not including the entire text; we invite you to consult pages 8-9 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ).

# Water Use – Own Operations (2/5)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.7.3	Fresh Water Intensity for Generators	The company's freshwater intensity is above its subindustry or industry benchmark	<b>FALSE</b> This is probably one of the most absurd assessments we have ever seen. Unfortunately, they had already made this mistake in the past (and we had managed to have it corrected), and now they are repeating it as if our comment had no effect whatsoever. The issue is that they take the total amount of water withdrawn and consumed by our customers and divide it by the electricity produced, thus claiming that our facilities consume a lot of water for every MWh of energy produced (176.3 m <sup>3</sup> /MWh)! Everyone knows that Hera is the second-largest operator in the Italian water business and that 32% of its assets are related to this sector; likewise, everyone knows that Hera is not a power generator, as it does not have specific plants for energy production. In fact, only 0.4% of its assets and 0.4% of its revenues are related to energy production. We told Sustainalytics that, since the power generation business is negligible in Hera's portfolio, it is better not to consider this indicator and that it is fundamentally wrong to divide our customers' water consumption (which is used for drinking, washing, and cooking) by the amount of electricity produced. We also provided the correct figure for the consumption of our cogeneration units (0.4% of the Group's revenues), which is 0.43 cubic metres per MWh. Unfortunately, while in the past they had fixed this mistake by excluding this indicator from Hera's evaluation, this time they did not take our comment into account.

# Water Use – Own Operations (3/5)

Code	Indicator	MORNİNGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.7.4	Water Stewardship Commitment	There is no evidence the company has any commitment	<b>FALSE</b>
	1) Responsibility of senior management or the board of directors regarding water stewardship	No	<b>YES</b> At page 9 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is explicitly stated that: The responsibility for the water stewardship strategy lies with top management and the Board of Directors, who set the guidelines, approve targets, and constantly monitor results.
	2) The company has an investment plan related to its water stewardship commitment	No	<b>YES</b> In the press release of the Business plan to 2028 (link: <a href="https://eng.gruppohera.it/documents/1514726/61820817/Hera%20Group%20presents%20Business%20Plan%20to%202028.pdf/1677a516-6697-6070-d5b3-c15671bbc93c">https://eng.gruppohera.it/documents/1514726/61820817/Hera%20Group%20presents%20Business%20Plan%20to%202028.pdf/1677a516-6697-6070-d5b3-c15671bbc93c</a> ) it is publicly stated that: about 1.4 billion euro will be allocated to the integrated water cycle...The strategic initiatives of the Group, Italy's second-largest operator in the water cycle, include works to guarantee stability and security of supply, technological solutions to reduce losses and ensure more efficient distribution, the upgrading of sewage systems, and the promotion of reuse and regeneration of this resource to support the sector's ecological transition. This includes collection, storage and interconnection works, the project for the Trieste aqueduct, water management initiatives with the completion of the installation of smart meters to encourage more efficient and aware consumption, the districtisation and reclamation of the aqueduct network and the use of predictive maintenance to reduce losses, ongoing work on the Rimini Seawater Protection Plan (the largest sewage reclamation project ever carried out in Italy, with 270 million investments in total from 2013 to 2028), and the new biodryers in the Cà Nordio plant in Padua for greater energy savings in sewage sludge treatment.
	3) The company has been involved in relevant R&D work that supports water stewardship	No	<b>YES</b> At page 10 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is publicly stated that: R&D and Innovation: Hera continually invests in research and development to identify innovative solutions in water management, promoting the adoption of new digital technologies and advanced processes that improve the efficiency and resilience of its plants. Innovation is a fundamental pillar for anticipating and responding to future challenges in the water sector. Among the most significant projects Hera has participated in are: the use of satellites to identify network leaks, the use of cosmic rays to detect network leaks, and the use of pilot technologies to estimate aquifer water reserves.

# Water Use – Own Operations (4/5)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.7.4	Water Stewardship Commitment	There is no evidence the company has any commitment	<b>FALSE</b>
	4) The company has established partnerships (incl. joint ventures) with other companies, independent (reaserch) institutions, NGOs, and industry initiatives supporting water stewardship	No	<b>YES</b> At page 10 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is publicly stated that: Partnerships with Companies and Independent Institutions: collaboration with other sector companies, universities and independent research centres is an integral part of Hera's strategy. Through partnerships and shared projects, we promote knowledge exchange, experimentation with new solutions, and the dissemination of best water stewardship practices at both national and international levels. For example, in 2024 an agreement was signed with the other major Italian water service companies to develop advanced research activities in synergy with universities and research bodies.
	5) The company has initiatives directly related to water stewardship	No	<b>YES</b> At page 10 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is publicly stated that: Hera has been engaged in initiatives to reduce and improve consumption efficiency. To this end, a Water Management Project aimed at saving, reusing and recovering water was launched. The project concerns all aqueduct water consumption of all the Group's Companies in the areas where Hera Spa manages the aqueduct service. Most of the planned interventions for reducing water consumption have already been implemented, while some already identified actions remain to be carried out to reach the target set at -26.5% by 2030.
	6) The company has set (a) quantitative water stewardship target(s) for its own operations based on a water risk assessment	No	<b>YES</b> At page 11 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) targets for water stewardship are disclosed.
	8) The company reports on progress towards its water stewardship targets	No	<b>YES</b> At page 11 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) progresses towards water stewardship targets are disclosed.

# Water Use – Own Operations (5/5)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.7.5	Scope of Water Reporting	The company has a strong disclosure	<b>INCOMPLETE</b> , but the highest rating was not given because two ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) The company discloses its water discharge by destination	No	<b>YES</b> At page 11 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) it is publicly stated that: All the water used by Hera's customers or by the Group's plants is collected in the sewage network, which leads to depuration treatment plants (99.8% of customers are connected to the Group's depuration facilities), where it is purified before being reused for industrial/agricultural purposes (11.9%) or discharged back into the environment (88.1%).
	2) The company has been reporting on its key water accounting metrics for at least three consecutive years	No	<b>YES</b> At page 10 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a> ) internal water consumptions for the last three years, in comparison with 2017 and the target to 2030, are disclosed
E.1.6.2	Physical Climate Risk Management	The company has an adequate programme	<b>INCOMPLETE</b> , the highest rating was not given because one tick wasn't assigned. See below for evidence of the error made by Sustainalytics.
	1) Initiatives to manage or adapt to physical climate change risks	No	At page 5 of the document Emissions Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/emissions-management-in-hera-group-pdf</a> ) initiatives implemented in the water business have been disclosed in particular to face physical risks related to: <ul style="list-style-type: none"><li>• Floods and flooding with resulting landslides and mudslides</li><li>• Changes in the temporal distribution of annual rainfall and average rainfall amounts with possible periods of prolonged drought</li></ul>

# Data Privacy and Cybersecurity (1/3)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.3.1.3.1	Data Privacy Programme	The company has a weak programme	<b>FALSE</b>
	1) The company conducts regular privacy analysis, risk assessments (PIAs, DPIAs), audits and/or operational reviews	No	<b>YES</b> At page 1 of the document Privacy Protection in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf</a> ) it is explicitly stated that: Hera regularly conducts risk assessments to evaluate the risks associated with personal data processing. These checks enable the early identification of potential vulnerabilities and the adoption of necessary measures to mitigate them. These activities are complemented by regular privacy audits, aimed at verifying compliance with regulations and company policies, as well as monitoring the effectiveness of the solutions implemented.
	2) The company has governance structures in place for privacy management	No	<b>YES</b> At page 1 of the document Privacy Protection in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf</a> ) it is explicitly stated that: Hera has implemented a governance structure dedicated to managing privacy and protecting personal data. This structure ensures that all activities related to data processing comply with current regulations and that responsibilities are clearly defined within the organisation. The privacy team, coordinated by a Data Protection Officer (DPO), oversees policies and procedures, ensuring continuous monitoring and ongoing improvement of processes.
	3) The company has mandatory privacy training for employees	No	<b>YES</b> At page 1 of the document Privacy Protection in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf</a> ) it is explicitly stated that: The company is firmly committed to training its employees on privacy matters. Through regular courses, workshops, and informational materials, Hera raises awareness among all staff about best practices, relevant regulations, and internal procedures to follow in order to guarantee the security of managed information. Training is tailored to different corporate roles, ensuring that each employee understands their responsibilities and knows how to act appropriately in any situation.
	4) The company's board receives formal privacy reporting	No	<b>YES</b> At page 1 of the document Privacy Protection in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf</a> ) it is explicitly stated that: The Top management regularly receives detailed reports on privacy and data protection. These reports include information on activities carried out, any issues identified, corrective measures adopted, and performance indicators related to privacy management. In this way, company management is kept constantly updated and can make informed decisions to ensure compliance with the highest standards of data protection.
	5) The company's programme includes a breach notification process	No	<b>YES</b> At page 1 of the document Privacy Protection in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/privacy-protection-pdf</a> ) it is explicitly stated that: Hera's data protection programme includes a structured process for notifying privacy breaches. In the event of a data breach or incidents that could compromise the security of personal data, the company immediately activates the required procedures: the breach is reported to the competent authorities within the deadlines established by law and, where necessary, the affected individuals are also informed. This approach ensures transparency, promptness, and the highest protection of the rights of those involved.

# Data Privacy and Cybersecurity (2/3)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.3.1.3.3	Cybersecurity Programme	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because two ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) The company conducts regular mandatory cybersecurity training for employees	No	At pages 3 and 4 of the document Information Security in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: All personnel involved in managing corporate information must receive training and be aware of the strategic importance of an Information and Data Protection Management System. All personnel must be informed and trained on security aspects and data protection through the dissemination of a precise and defined awareness program. The effectiveness of these programs must be periodically verified...On the people side, awareness-raising continued via awareness campaigns and trainings extended to the whole company and incident simulation exercises for more technical profiles.
	2) The company's management conducts regular formal cybersecurity reporting to the board	No	At pages 3 and 4 of the document Information Security in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: The Hera Group has had a cybersecurity department since 2020, headed by a Chief Information Security Officer who reports directly to the Chief Innovation Officer and the Executive Management Team.

# Data Privacy and Cybersecurity (3/3)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.3.1.3.5	Critical Infrastructure Cybersecurity Programme	Based on available evidence, the company does not have a programme	<b>FALSE</b>
	1) The company collaborates or shares cybersecurity information with relevant government agencies	No	<b>YES</b> At page 1 of the document Cybersecurity of Infrastructures in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: Collaboration and Information Sharing with Government Agencies: Aware of the importance of cooperation in countering cyber threats, Hera actively participates in working groups and joint initiatives with leading government agencies and authorities responsible for national and cyber security. The company actively collaborates with the Agenzia per la Cybersicurezza Nazionale (ACN) and Italian National CSIRT.
	2) The company conducts drills or exercises to address risk related to cyberattacks	No	<b>YES</b> At page 1 of the document Cybersecurity of Infrastructures in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: Exercises and Training to Improve Cyber Risk Response: To strengthen its ability to respond to cyber incidents, Hera is increasing exercises and simulations activities involving internal staff, technical teams. These activities allow testing of response plans, evaluation of the effectiveness of operational procedures, and improvement of collaboration between different company units. Additionally, Hera invests in training and awareness programmes to promote a culture of security at all levels of the organisation.
	3) The company has initiatives to manage cybersecurity risks related to operational technology and/or industrial control systems	No	<b>YES</b> At page 1 of the document Cybersecurity of Infrastructures in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: Cyber Risk Management in Operational Technologies: Hera adopts a structured approach to cyber risk management, with specific initiatives aimed at operational technologies and industrial systems. Through the identification, assessment, and monitoring of risks associated with OT environments, the company implements preventive and corrective measures to reduce the attack surface and strengthen the security of its critical assets. International standards and sector best practices are also adopted to ensure maximum protection of both physical infrastructure and digital systems.
	4) The company monitors cybersecurity threats on an ongoing basis	No	<b>YES</b> At page 1 of the document Cybersecurity of Infrastructures in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/information-security-in-hera_final-pdf</a> ) it is explicitly stated that: Continuous Threat Monitoring: 24/7 monitoring of cyber threats is a fundamental pillar of Hera's strategy. By using advanced systems for incident detection, analysis, and response, the company can promptly identify abnormal behaviour, intrusion attempts, and potential attacks, intervening swiftly to minimise any impact. Hera's Security Operations Centre (SOC) ensures constant and coordinated oversight of all critical infrastructure (both IT and OT), integrating information from both internal and external sources.

# Product Governance (1/1)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.3.1.17	Asset Integrity Management	The company has a weak programme	<b>FALSE</b>
	1) Awareness and training	No	<b>YES</b> At page 2 of the document Asset Integrity Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf</a> ) it is explicitly stated that: Phases of Asset Integrity Management at Hera: Hera invests in continuous staff training, promoting a company culture oriented towards safety and efficiency. Raising employee awareness is a key element in preventing errors and incidents.
	2) Formal asset management plan established	No	<b>YES</b> At page 2 of the document Asset Integrity Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf</a> ) phases of the Asset Integrity Management are disclosed (we don't report here the text for space reasons).
	3) Formal asset management policy	No	<b>YES</b> At page 1 of the document Asset Integrity Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf</a> ) it is explicitly stated that: Hera's commitment: Asset Integrity Management (AIM) represents a fundamental pillar for companies operating in strategic sectors such as energy, water, and waste. Hera, as one of the main Italian multi-utility companies, adopts a systematic and integrated approach to ensure the safety, reliability and sustainability of its assets throughout their entire life cycle. The objective is to protect the value of the assets, ensuring operational continuity and compliance with current Regulations.
	4) Risk identification and mitigation disclosure	No	<b>YES</b> At page 2 of the document Asset Integrity Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/asset-integrity-management-in-hera-group-pdf</a> ) it is explicitly stated that: Identification and Classification of Assets: Hera carries out a detailed mapping of all assets, classifying them according to their criticality and strategic role. This enables the prioritisation of maintenance and monitoring interventions. Risk Assessment: A risk analysis is conducted for each asset, considering technical, environmental and operational factors. This phase allows the identification of vulnerabilities and the planning of preventive or corrective actions.

# Corporate Governance (1/1)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
G.2.6.3	<p>Short-Term Incentive Programme</p> <p>1) The target STI award is linked to sustainability-related performance metrics with disclosed targets</p>	<p>The company has a strong programme</p> <p>No</p>	<p><b>INCOMPLETE</b>, the highest rating was not given because one tick wasn't assigned. See below for evidence of the error made by Sustainalytics.</p> <p><b>YES</b></p> <p>At page 96 of the Financial Report (<a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">link</a> <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>) it is explicitly stated that a significant portion of the total remuneration of the Executive Chairman and Chief Executive Officer is directly related to the achievement of indicators linked to the <b>ESG objectives</b> and represent a significant part in the determination of the <b>parameters of the short and medium-long term variable remuneration</b>. The indicators Ebitda Csv for the <b>short-term variable with a relative weight of 20%</b>, and contribution Csv for the medium-long term variable with a weight of 33.3%, represent the objectives directly linked to sustainability issues. Both measure the portion of Ebitda derived from activities that generate tangible social and environmental benefits in three areas of shared value creation (pursuing carbon neutrality, regenerating resources and closing the loop, enabling resilience and innovation) by contributing to 11 goals of the UN 2030 Agenda. Achieving 100% of these indicators generates a variable component of total remuneration (the sum of the short-term variable component and the deferred variable component), which stands, on an annual basis, at 23.7% of the fixed annual remuneration according to the following schedule:</p> <ul style="list-style-type: none"> <li>• Short-term variable <ul style="list-style-type: none"> <li>– Goal: CSV Ebitda, weighting 20%</li> <li>– Variable remuneration related to the achievement of 100% of the target: Euro 32,000</li> </ul> </li> <li>• Medium- to long-term variable <ul style="list-style-type: none"> <li>– Goal: CSV contribution, weighting 33.3%</li> <li>– Variable remuneration related to the achievement of 100% of the target: Euro 53,280</li> </ul> </li> <li>• Incidence % remuneration related to ESG objectives <ul style="list-style-type: none"> <li>– Total variable remuneration related to ESG objectives: Euro 85,280</li> <li>– Total variable remuneration in the short + medium-long term: Euro 360,000</li> <li>– % of incidence: 23.7%</li> </ul> </li> </ul> <p>Being Hera a multi-utility with several businesses a sustainable composite indicator was created that is made of three pillars: pursuing decarbonization, regenerate resources and resilience and innovation for territories. Each pillar has several indicators with targets that you can see at page 36 of the Sustainability Report (<a href="https://eng.gruppohera.it/documents/1514726/54059978/Sustainability%20Report%202023%20-%20NFS.pdf/dbabe9d8-279c-4a1f-82ae-bdfae10a4986">link</a> <a href="https://eng.gruppohera.it/documents/1514726/54059978/Sustainability%20Report%202023%20-%20NFS.pdf/dbabe9d8-279c-4a1f-82ae-bdfae10a4986">https://eng.gruppohera.it/documents/1514726/54059978/Sustainability%20Report%202023%20-%20NFS.pdf/dbabe9d8-279c-4a1f-82ae-bdfae10a4986</a>)</p>

# Corporate Governance (1/1)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
G.2.8.4	Board Non-Executive Experience	Based on available evidence, the company's board does not have any relevant non-executive experties	<b>FALSE</b> At page 1 of the document Board Expertise (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/board-industry-experience-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/board-industry-experience-pdf</a> ) there are 8 Non-Executive Board members with Industry experience, 6 Non-Executive Board members with Risk Management experience, 7 Non-Executive Board members with Finance experience, 2 Non-Executive Board members with Cybersecurity experience, 5 Non-Executive Board members with ESG experience
G.2.10.2	Audit Committee Experience	There is a weak industry and/or financial expertise among the independent audit committee members	<b>FALSE</b> Two independent members, Mr Rotella and Mr Melcarne, of the Audit Committee have Financial Expertise as reported in the document Board Expertise (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/board-industry-experience-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/board-industry-experience-pdf</a> )

# Business Ethics (1/2)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
G.1.1.1	Bribery & Corruption Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because one tick wasn't assigned. See below for evidence of the error made by Sustainalytics.
	1) Regular training on bribery and corruption	No	<p><b>YES</b></p> <p>At page 14 of the Anti Corruption Model (link <a href="https://eng.gruppohera.it/documents/1514726/4185810/Anti+corruption+Model.pdf/7fbed14f-85fc-810e-d3b3-114ccaea35e2?t=1595861994389">https://eng.gruppohera.it/documents/1514726/4185810/Anti+corruption+Model.pdf/7fbed14f-85fc-810e-d3b3-114ccaea35e2?t=1595861994389</a>) it is explicitly stated that: The Group implements training interventions, intended for all personnel, particularly thorough for personnel involved in processes at risk of corruption, aimed at guaranteeing the dissemination and understanding of the Code of Ethics, the anti-corruption rules and the 231 Model. The training is aimed at giving a clear understanding of the different offences (also for the purposes of the 231 Model), the risks, personal responsibilities and consequences for the company, the actions to be undertaken to prevent and combat corruption and any sanctions.</p> <p>The training programme provides the necessary knowledge of the Anti-Corruption Laws, instructions to recognise so-called "Red Flags" and advice to avoid completing actions not coherent with the company's ethical values. The principles, expected behaviours, controls and implementation methods are subjects developed in thorough training sessions provided according to the respective risk of corruption. Personnel, with regard to their involvement in processes at risk of corruption, must receive timely training on the Anti-Corruption Laws. The CPOD is responsible for planning and implementing the aforementioned training, monitoring the actual participation of Personnel in the training courses and the respective tracking of the same on the system. The update of this Model forms part of the permanent training path of all individuals who work for the Group or collaborate with it, including Suppliers and Business Partners in general.</p> <p>Furthermore, at page 227 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>) it is explicitly stated that: In 2024, a total of 1,859 hours of training were provided at Group level, with 2,872 workers involved, on training content in the field of business conduct through the following initiatives: • e-learning course Prevention of offences under Legislative Decree 231/2001, aimed at the entire company population; • e-learning course How to manage a conflict of interest, available from 2024 to all employees, regardless of their role, which explores the topic through supporting insights, case studies and tests.</p>

# Business Ethics (2/2)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
G.1.2.1	Business Ethics Programme	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because two ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Annual training of employees on the Code of Conduct	No	<b>YES</b> At page 227 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ) it is explicitly stated that: In 2024, a total of 1,859 hours of training were provided at Group level, with 2,872 workers involved, on training content in the field of business conduct through the following initiatives: • Alfabetico annual training sessions, a programme dedicated to new permanent hires and new employees who have joined the Hera Group following company acquisitions. The programme aims to share the principles and contents of the Code of Ethics, encouraging the integration of new people into the company. The training activities are carried out both in person and remotely, thanks to the collaboration of 14 facilitators from different Group structures and companies who, with commitment and passion, are dedicated to providing training and promoting ethical behaviour in the company; • Corporate social responsibility and current management Code of Ethics e-learning course, with a focus on supplier monitoring, which aims to spread the culture of the principles expressed in the Code of Ethics in the part dedicated to relationships with suppliers, contractual representatives and their assistants. The course can be accessed on the company's e-learning platform MyAcademy.
	2) Measures to deter non-compliance and reduce exposure to unethical opportunities	No	At pages 226-227 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ) it is explicitly stated that: In relation to activities in compliance with Law No. 262/05, the planning foreseen by the reporting Manager for the year 2024 was adhered to, with the exception of changes occurring during the year. The controls in the matrices used for assessing the processes were integrated with fraud risks in cases in which the risk existed; the result of the test for the purpose of proper preparation of the financial reporting also covers the linked fraud risk. In the event that the test reveals gaps in design and/or operational effectiveness, remediation actions are proposed and shared with the process owners; these activities are monitored to assess their correct implementation. With regard to the separation of roles and activities (Segregation of Duties), the verification of the correct definition of roles continued in order to avoid functional overlaps and operational allocations that concentrate critical activities on a single subject, taking into account the correct alignment between the IT profile and its related organisational role, specifically for the active and passive cycle in the Group's information system.

# Land Use and Biodiversity (1/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.1	Biodiversity Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Formal commitment to minimise impact on biodiversity or to consider biodiversity in planning	No	<p><b>YES</b></p> <p>At page 5 of the document Hera Group Engagement with Biodiversity (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf</a>) mitigation hierarchy steps and how we minimise impact on biodiversity are presented.</p> <p>Furthermore, at page 146 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>) it is explicitly stated that: The Hera Group adopts a structured and integrated approach to the protection of biodiversity and ecosystems in all authorisation procedures initiated on plants under management, or in particular in the environmental impact assessment processes (VIA: an environmental assessment tool used to analyse and predict the significant impacts that a project or activity may have on the environment; this is applied to projects, such as infrastructure and facilities, to ensure that adverse effects on the environment are identified and reduced through prevention and mitigation measures), impact assessment (VINCA: environmental assessment tool required when a project has the potential to interfere, directly or indirectly, with protected sites), in accordance with applicable legislation, combining regulatory compliance with voluntary monitoring and mitigation measures. According to the legislation, VINCA is required if a project may potentially interfere, directly or indirectly, with protected sites. In this regard, it is first of all the applicant who evaluates whether a screening or impact assessment procedure should be implemented (depending on the size of the project proposed and the specific sensitivity of the potentially involved Natura 2000 Network site), always complying with any provisions of the competent authority. The Hera Group, in order to ensure responsible and sustainable environmental management of plant activities, always activates an assessment screening whenever a new under authorisation plant project or modification shows potential disturbance factors on one or more network sites. During the investigation phase, the competent authority assesses the adequacy of the assessments carried out and expresses its opinion in this regard either by initiating an appropriate assessment or, in case of a positive result in terms of non-significant impact, by requesting further information or issuing specific requirements. The Group's approach has so far led to positive results with regard to the sustainability of projects undertaken, ensuring that there are no significant impacts on protected areas and on the Natura 2000 Network. In the Hera Group, impact assessment procedures (Screening/VINCA) have been initiated for projects involving more than 35 plants. Among the plants examined: 11 are located within the Natura 2000 Network, 9 (including completed or under post-operational management landfills) are nearby this network and the remaining lie within a range of up to about eight kilometres. As a result of the impact assessment procedures, when requirements are foreseen, Hera adopts measures following the mitigation hierarchy, further developing mitigation and/or compensation measures according to the regulator's needs and requests.</p>

# Land Use and Biodiversity (2/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.1	Biodiversity Programmes	The company has a strong programme	<b>INCOMPLETE</b> , the highest rating was not given because four ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	2) Formal commitment to 'no net loss' or having a 'net positive impact' on biodiversity	No	<p><b>YES</b></p> <p>In the document Commitment on Biodiversity (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-biodiversity-commitment">https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-biodiversity-commitment</a>) it is explicitly stated that: The prevention of negative impacts is based on full compliance with biodiversity protection regulations as well as on additional voluntary initiatives implemented by the Group. To achieve both NPI and NNL on biodiversity the Group supports also several raise-awareness projects and reforestation campaigns (see our "No Deforestation Commitment"). In managing its activities which may have a direct or indirect impact on air, water resources, soil, ecosystems and species that inhabit it, Hera implements a mitigation hierarchy to avoid, minimize and recover impacts on natural ecosystems.</p> <p>At pages 5-6-7 of the document Hera Group Engagement with Biodiversity (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf</a>) mitigation hierarchy steps, NPI and NNL targets are presented</p>
	3) Managerial or board level responsibility for biodiversity issues	No	<p><b>YES</b></p> <p>At page 145 of the Financial Report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%20202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a>) it is explicitly stated that: The Group's approach to management and control/mitigation of environmental impacts and potential impacts on natural areas and biodiversity includes activities fully compliant with European and National Regulations, with particular emphasis on the application of Impact Assessment (VINCA) Protocols and on the compliance with Ministerial and Regional Guidelines. In addition, the Group implements continuous monitoring measures, where necessary, to ensure that its operations are not likely to compromise ecosystem balances, using control and management tools to prevent impacts and/or adverse interference on nature and habitats of conservation interest. <b>The Board of Directors is responsible for implementing this policy</b>, ensuring that business practices are in line with third party regulations and initiatives.</p>
	4) Targets and deadlines related to biodiversity	No	<p><b>YES</b></p> <p>At pages 6 and 7 of the document Hera Group Engagement with Biodiversity (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/hera-group-biodiversity-nodeforestation-commitment-pdf</a>) targets and deadlines related to biodiversity are disclosed.</p>

# Land Use and Biodiversity (3/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.2	Site Closure & Rehabilitation	The company closure and rehabilitation initiatives are weak	<b>FALSE</b>
	1) Closure plans regularly updated	No	<p><b>YES</b></p> <p>At page 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: The stages of post-operational management</p> <ul style="list-style-type: none"> <li>• Closure and securing</li> </ul> <p>At the end of operations, Hera proceeds to close the landfill according to a plan approved by the competent authorities. This includes the permanent covering of the waste with layers of impermeable materials and the construction of rainwater drainage systems, in order to avoid infiltration and the formation of leachate.</p> <ul style="list-style-type: none"> <li>• Environmental monitoring</li> </ul> <p>Hera carries out constant monitoring of environmental matrices such as soil, groundwater, air and leachate. Monitoring stations and piezometric wells are installed to check for any contamination, in accordance with legal requirements.</p>
	2) Commitment to rehabilitate land to minimize negative impacts and maximize benefits	No	<p><b>YES</b></p> <p>At pages 5 and 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: Hera is firmly committed to the remediation of contaminated land or sites where facilities are being decommissioned, adopting advanced strategies to minimise negative environmental impacts. The company recognises that soil protection is essential to ensure a sustainable future, in line with the principles of the circular economy and corporate social responsibility. Through concrete and innovative initiatives, Hera aims to restore value to the affected areas and safeguard the health of local communities.</p>
	3) Commitment to set aside sufficient funds to cover closure and rehabilitation	No	<p><b>YES</b></p> <p>At page 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: During the period in which landfills are in use, provisions are set aside to feed the post-mortem fund, which is intended to ensure the long-term economic sustainability of management activities following closure.</p>
	4) Community involvement in closure planning	No	<p><b>YES</b></p> <p>At page 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: Involvement of local communities: A key aspect in the process of closing an exhausted landfill is the active involvement of local communities. A constant dialogue with local entities makes it possible to integrate local needs and strengthen the sense of shared responsibility in environmental protection.</p>

# Land Use and Biodiversity (4/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.1.2.2	Site Closure & Rehabilitation	The company closure and rehabilitation initiatives are weak	<b>FALSE</b>
	5) Managerial responsibility for land closure and rehabilitation	No	<p><b>YES</b></p> <p>At page 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that: The company (and therefore its legal representatives, i.e. Executives) remains responsible for supervising and preventing environmental risks even after closure, as required by law.</p>
	6) Measures to address or avoid significant environmental or landscape impacts	No	<p><b>YES</b></p> <p>At page 6 of the document Waste and Water Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/waste-and-water-management-in-hera-group-pdf</a>) it is explicitly stated that:</p> <ul style="list-style-type: none"> <li>• Biogas management</li> </ul> <p>The biogas produced by the degradation of organic waste is captured through specific systems and, where technically possible, enhanced for energy production. Alternatively, it is treated to reduce its environmental impact.</p> <ul style="list-style-type: none"> <li>• Maintenance and control</li> </ul> <p>Hera is responsible for maintaining the infrastructure (barriers, covers, leachate and biogas collection and treatment plants) and for monitoring the stability of the site.</p> <ul style="list-style-type: none"> <li>• Environmental restoration and long-term surveillance</li> </ul> <p>The post-management phase can last for decades. Hera carries out environmental restoration of the area, promoting natural rewilding and, where possible, landscape redevelopment</p>

# Human Capital (1/1)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.1.3	Diversity Programmes	The company has an adequate programme	<b>INCOMPLETE</b> , the higher rating was not given because two ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Initiatives to recruit from diverse talent	No	<b>YES</b> At page 9 of the document DE&I Insights (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/de-i-report-2024-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/de-i-report-2024-pdf</a> ) it is explicitly stated that: Talent pipeline: Actions to increase the representation of women both in leadership positions and in the company in general. In a business (multiutility) that is traditionally male by nature, Hera acts to protect and support women, ensuring fairness in the recruitment process, in career advancement and compensation, and over time introducing welfare tools that promote a better worklife balance. Hera shares a publicly quantitative, timebound action plan with targets to increase the representation of women in leadership positions (see page 19) and among employees in general. Excluding blue-collar workers, in 2024, 50% of new hires were women and career advancements involving female workers accounted for 42.3% of the total.
	2) Managerial or board level responsibility for diversity initiatives	No	<b>YES</b> At page 3 of the document DE&I Insights (link <a href="https://eng.gruppohera.it/documents/d/gruppohera-eng/de-i-report-2024-pdf">https://eng.gruppohera.it/documents/d/gruppohera-eng/de-i-report-2024-pdf</a> ) it is explicitly stated that: Furthermore, the introduction in 2011 of the <b>Diversity Manager</b> was essential to further encouraging processes for developing inclusion and diversity enhancement policies.

# Stakeholder Governance (1/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.2.1	Supplier Environmental Policy	The company has a weak policy	<b>FALSE</b>
	1) The company has a general statement on green procurement	No	<b>YES</b> In the Quality and Sustainability policy (link <a href="https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability">https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability</a> ) it is explicitly stated that: Promote the purchase of efficient and sustainable services and products, evaluating suppliers also in consideration of their commitment to the principles expressed in this Policy
	2) The company's policy includes a commitment to engage with suppliers to improve their environmental performance	No	<b>YES</b> At page 29 of the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a> ) there is an entire section dedicated to environmental performance of suppliers and in the General intentions it is explicitly stated that: Hera and its suppliers recognise the environment as a primary collective good and work towards protecting it, for a just ecological transition, the protection of biodiversity and the preservation of resources for the benefit of present and future generations. Therefore, they ensure efficiency in the use of natural resources and prevent pollution to reduce their environmental impact and contribute to achieving carbon neutrality; they furthermore promote energy efficiency and a wider use of renewable energies. For these purposes, they adopt appropriate environmental and energy management systems and develop initiatives that combat deforestation and promote land protection, resource regeneration and the circular economy. Furthermore, at page 2 of the document Risk and Sustainability Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcd-53e54bcc7db3?t=1753342353907">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fcd-53e54bcc7db3?t=1753342353907</a> ) it is explicitly stated that: Throughout the years, Hera has established a strong and all-encompassing ESG program for suppliers. This program is regularly updated and includes a variety of activities and measures designed to identify and evaluate potential ESG risks. Consequently, it allows for the planning of corrective actions to ensure the Group's supply chain maintains a high level of sustainability performance and transparency also in light of CSRD future requirement. To uphold the integrity, quality and efficiency of the supply chain, Hera uses a series of instruments such as: risk assessment, predictive qualification rating and supplier screening, supplier vendor risk card, non-conformities management, improvement plans, site inspections, performance rating, capacity building programs. Furthermore, a capacity building programme has been in place since 2024 to support suppliers' growth and sustainable development, aiming to raise awareness of ESG (Environment, Social and Governance) issues and enhance their operational and technical capabilities and quality. As part of the Hera_Pro Empower programme, Hera provides participating suppliers with an ecosystem of services at reduced rates, including courses for obtaining management system certifications, personnel recruitment and selection services, energy efficiency solutions and industrial waste recovery services. The Supplier Sustainability School, a free academy open to all Group suppliers, offers seminars and training courses aimed at raising awareness and skills on ESG issues within the supply chain.

# Stakeholder Governance (2/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
E.2.1	Supplier Environmental Policy	The company has a weak policy	<b>FALSE</b>
	3) The company's policy includes a commitment to monitor suppliers' environmental performance	No	<p><b>YES</b></p> <p>At page 36 of the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a>) it is explicitly stated that: Hera, consistently with the commitments made in its Code of Ethics, carries out, according to the defined procedures, monitoring and control activities on suppliers' compliance with this Code. This is done by requesting documentary evidence or specific indicators, or again through specific audits. It should be noted that non-compliance with the obligatory parts of this Code will lead to opening noncompliance and related remedy plans, as per the applicable Hera procedures. Depending on the level of severity, any breach of this Code may lead to contract termination and temporary suspension or permanent blocking from the supplier list.</p> <p>At page 2 of the document Risk and Sustainability Management in Hera Group (link <a href="https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fc0-53e54bcc7db3?t=1753342353907">https://eng.gruppohera.it/documents/1514726/0/Risk+and+Sustainability+Management+in+Hera+Supply+Chain.pdf/cd4b975c-112d-d738-4fc0-53e54bcc7db3?t=1753342353907</a>) it is explicitly stated that: The supplier evaluation process is the first step to identify, monitor and manage potential risks. In order to ensure a responsible supply chain management, a risk analysis tool named "Vendor Risk Tool" has been developed. Such tool allows to segment active suppliers on the basis of relevant risk rating. Moreover, site inspections are carried out by using certified third-party auditors, in order to monitor both technical-qualitative performance and ESG performance (with a particular focus on corporate social responsibility). Improvement plans and specific corrective actions are implemented when any non-conformity is detected. Improvement plans and corrective actions are digitally managed through Hera_Pro portal: by using such portal, suppliers can interactively follow Hera Group recommendations as well as the progress of improvement plans. To avoid potential conflicts with ESG (Environmental, Social, and Governance) requirements, Hera conducts internal reviews of their purchasing practices. This involves assessing current practices against ESG criteria, identifying potential risks, and implementing necessary changes to align with sustainability goals. By conducting internal reviews of purchasing practices, Hera aims to manage ESG risks, enhance its sustainability performance, and build a stronger, more resilient supply chain.</p>

# Stakeholder Governance (3/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
S.2.1	Scope of Social Supplier Standards	The company has a strong social supply chain standards	<b>INCOMPLETE</b> , the higher rating was not given because three ticks weren't assigned. See below for evidence of the error made by Sustainalytics.
	1) Addresses acceptable living condition	No	At page 13 of the Supplier Code of Conduct link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a> it is explicitly stated that: Hera and its suppliers consider work as one of the highest manifestations of human values, which are at the root of its activities. They believe that work is a means of growth and improvement for people and their communities, and thus strive to recognize its full value and reduce the risks and threats that have accompanied it in the past. In particular, Hera and its suppliers reject and oppose all kinds of exploitation: child labor, forced labor, exploitation of migrants and victims of trafficking and any other category who for physical, political, religious or gender-related reasons is more exposed to losing their rights. Likewise, they oppose all forms of discrimination, violence and harassment and are committed to creating working environments that protect the rights and dignity of people and support their professional development and personal fulfilment. They therefore promote, both internally and along the value chain, training, balance between professional and family life, dialogue and opportunities for cooperation, and a widespread adoption of the best professional, business and human behaviour
	2) Addresses maximum working hours	No	At page 23 of the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a> ) it is explicitly stated that: Suppliers shall ensure that working conditions, remuneration and working hours, travel and any benefits at least comply with national legislation, industry standards and the provisions of specific collective agreements and are defined in a written agreement at the time of employment. The supplier shall always organise working hours in such a way as to prevent accidents due to physical and mental fatigue and thus preserve the health of the people at work, paying particular attention for example to shift management, overtime and periods of leave, and ensuring the necessary time for rest, which may not be less than 24 consecutive hours every seven days. Overtime may not exceed the limit set by law and, barring exceptions dictated by emergencies, may not be used on a permanent basis. If no legal minimum wage or overtime premium exists, wages must be at least equal to the average minimum wage for the sector and overtime must be remunerated above the regular hourly rate.
	3) Addresses minimum living wage	No	At page 23 of the Supplier Code of Conduct (link <a href="https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316">https://eng.gruppohera.it/documents/1514726/0/Code+of+Conduct+-+Supplier+Sustainability+Agreement.pdf/1c3aa89b-c11a-4460-5663-f1ca12c0bbbe?t=1751020671316</a> ) it is explicitly stated that: Labor must be properly contextualized and fairly remunerated by suppliers, starting with compliance with contracts and regulations, and including a specific assessment of the correspondence between the work carried out and its monetary value. The wages established shall be paid on time and in a traceable manner. Unauthorised deductions from wages are therefore excluded and legal contributions must be paid. Any deductions from wages used as a disciplinary measure must be consistent, documented and managed according to regulations and contracts. Employees must be able to apply for and obtain social benefits in accordance with the law.

# Stakeholder Governance (4/4)

Code	Indicator	MORNINGSTAR   SUSTAINALYTICS	GRUPPO HERA
G.1.4	Tax Disclosure	Based on available evidence, the company does not disclose on taxes	<b>FALSE</b>
	1) The company reports on taxes paid by region, continent or using a mixed approach	No	<b>YES</b> Hera is an Italian multi-utility company operating in 4 Italian regions (see the local presence at the following link <a href="https://eng.gruppohera.it/group_eng/who-we-are/the-hera-group-in-the-territory">https://eng.gruppohera.it/group_eng/who-we-are/the-hera-group-in-the-territory</a> ), therefore taxes are paid in Italy. The breakdown of taxes paid (IRES, IRAP, Substitute tax, non recurring subsidies, all are well explained) can be found on page 303 of the Financial report (link <a href="https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89">https://eng.gruppohera.it/documents/1514726/63964465/Hera%20Consolidated%20financial%20statements%202024.pdf/24ab4e69-8a78-e866-ec13-bc2e2419ee89</a> ). Furthermore, the tax strategy is published on the website ( <a href="https://eng.gruppohera.it/documents/1514726/0/Hera-Group-Tax-Strategy.pdf/c76ee745-b708-bada-157e-d180793751d5?t=1663338137540">https://eng.gruppohera.it/documents/1514726/0/Hera-Group-Tax-Strategy.pdf/c76ee745-b708-bada-157e-d180793751d5?t=1663338137540</a> ) and explicitly states that: Hera is committed to implementing an internal tax risk control system (Tax Control Framework) in line with the OECD guidelines, as defined by the Italian Revenue Agency.
	2) The company reports on taxes paid on a country-by-country basis for all of the countries in which it operates	No	<b>YES</b> See comment above, no further explanations are needed