

2020
REPORT ON THE REMUNERATION
POLICY AND THE
REMUNERATION PAID



SUMMARY

EXECUTIVE SUMMARY

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REPORT ON THE REMUNERATION POLICY AND THE REMUNERATION PAID



EXECUTIVE SUMMARY

I. Aims, principles and governance of the Hera Group compensation policy

Aims and Principles

The remuneration policy adopted by Hera represents an indispensable instrument for supporting the Group's medium- and long-term strategies, conceived as a factor that contributes to improving corporate performance and the creation of value in the medium to long-term. In fact, the incentive capacity of the systems is ensured in accordance with the strategic objectives of the Group, with particular attention to sustainable development criteria.

The Company defines and applies a General Policy on Remuneration designed to attract, motivate and retain resources which possess the professional qualities needed to effectively pursue the Group's objectives.

The Policy is defined in such a way as to align the interests of management with those of shareholders, with the main goal being the creation of sustainable success in the medium to long-term, through the consolidation of the link between reward and performance, both of individuals and the Group.

The guiding principles adopted for defining the remuneration policy for the top management are:

- calibrating remuneration to performance in a long-term perspective;
- constantly referencing the external market, for the reference sector as well, in order to check the consistency of the company's remuneration scheme, with the dual purpose of retaining directors and ensuring sustainable cost management;
- focusing on internal consistency between the level of remuneration offered and the complexity of the role performed, while also taking into account employees' compensation and working conditions;
- using and constantly updating the methodology for evaluating offices, with the objective of guaranteeing standardised remuneration comparisons and analyses that are consistent with the development of the Group's organisational framework over time.

The Group's remuneration policies are defined in order to guarantee the following aims:

- Increasing value for shareholders;
- achieving sustainable success in a stable manner in the short and medium-long terms;
- retaining employees who hold positions that are strategic for governance and the business;
- promoting the corporate mission and values, also in terms of sustainability;

II. Remuneration components

The structure of the remuneration package envisaged for the various offices is defined with a view to balancing the fixed and variable components, taking the specific risk profile of the company into account, and the desire to maintain a close alignment between the level of company and individual performance and remuneration by effectively incentivising commitment, professional growth and the adoption of behaviours deemed functional for achieving the Group's corporate objectives. The total remuneration contains a balanced mix of fixed and variable components as well as benefits, with a focus on identifying the metrics deemed most effective to reflect the Group's long-term prospects.

The fundamental components of remuneration for Hera Group managers are:

Component	Aims and characteristics	Application
Fixed compensation	Rewards professional and managerial technical skills	Compensation position assessed on the basis of performance, experience, level of responsibility, internal consistency with the evolution of the organization, and market benchmarking
Short-term variable compensation	Incentivizes the achievement of strategic and financial objectives as well as the adoption of behaviours consistent with the company's leadership model	Assigning individual objectives linked to the Group's balanced scorecard system for managers and executive directors
Deferred variable compensation for retaining managers	Retention measures for high-performing, high-market-risk executive management in strategic positions	Three-year reference period. Bonus accrued in relation to Group results and evaluation of the individual development process.
Non-monetary benefits	An integral part of the remuneration package, these are mainly welfare and social security benefits	Defined in accordance with industry standards and applicable company policies
Compensation	Employee leaving indemnity designed to protect the Company's interests	In the event of early termination or revocation of the director's appointment

The remuneration policies of the Hera Group, in addition to defining guidelines and methods for the remuneration of Management, also regulate the processes and tools to be applied to the rest of the company population in a uniform manner for all organisational areas. More specifically, in this case as well the market wage comparison is constantly updated for both fixed compensation components and variable components and benefits, and consequently the most suitable measures are adopted as part of a structured process designed to reward the individual's contribution to creating added value while also guaranteeing sustainable working conditions.

Therefore, the remuneration components defined for management and their corresponding purposes and characteristics are applied in a homogeneous manner to the entire population, following a logic of full harmonization and dissemination of the underlying principles that also takes into account the working conditions of all employees and ensures full compliance with the principles of gender equality.

III. Pay for performance

During the financial year that has just ended, the primary services managed by the Group guaranteed continuity and prompt, uninterrupted delivery, protecting the health of Hera's employees, customers and suppliers alike. Operating performance showed a growth in economic results, with an increase in gross operating margin (EBITDA) of around 3.5%; this result is particularly impressive considering the difficult circumstances of the public health emergency that characterized most of the year.

The negative effects of both the pandemic crisis and the extraordinarily mild winter weather in the first part of the year had a negative impact on EBITDA amounting to approximately 38.9 million euro, which was fully offset by the growth generated by both internal growth levers (efficiency gains, extraction of synergies, promotion and sale of services and expansion of the customer base) and M&A transactions, which ensured positive net EBITDA growth of 38 million euro.

Net income at the end of the year also benefited from good financial and fiscal management, enabling the company to close the year with improved results compared with the previous year. Equity strength also showed an improvement in the debt to EBITDA ratio, which fell from 3.02 to 2.87; this result was also achieved through a slight reduction in financial debt thanks to the generation of cash flows that fully financed the company's substantial investments, maintained at the same levels as the previous year, and the regular payment of dividends as promised by the business plan.

These annual financial results exceeded the targets set in the balanced scorecard system for financial year 2020 and exceeded the collective expectations of the financial analysts covering Hera stock.

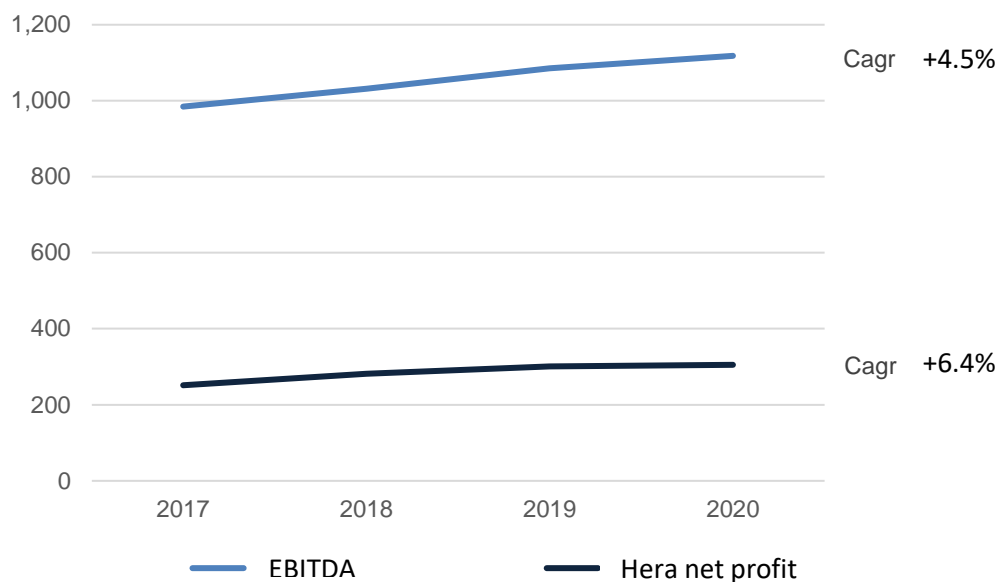
The 2020 financial year results are all the more noteworthy considering that they complement the significant progress that has already been made every year without interruption since the Group's establishment. The following figures show the main results of the latest three-year period.

These results were accompanied by a particularly attentive management of stakeholders, ensuring that customers, suppliers and administrators in the areas served by the company, challenged by the public health emergency, received concrete support as described in the Group's quarterly reports. The policies implemented on the various ESG dimensions have also received important feedback and enjoyed numerous forms of recognition in 2020, such as inclusion in the Dow Jones sustainable indices, to mention only the most significant one.

Following the extraordinary performance of Hera shares in 2019, characterised by a rise of +46.2% partly as a result of their inclusion in the FTSE MIB index (significantly higher than peers' average performance of 31.1%), in 2020 they underwent a corrective trend that led to the share closing the year at €2.99, a result that guarantees an overall positive performance of +11.5% over the last two years.

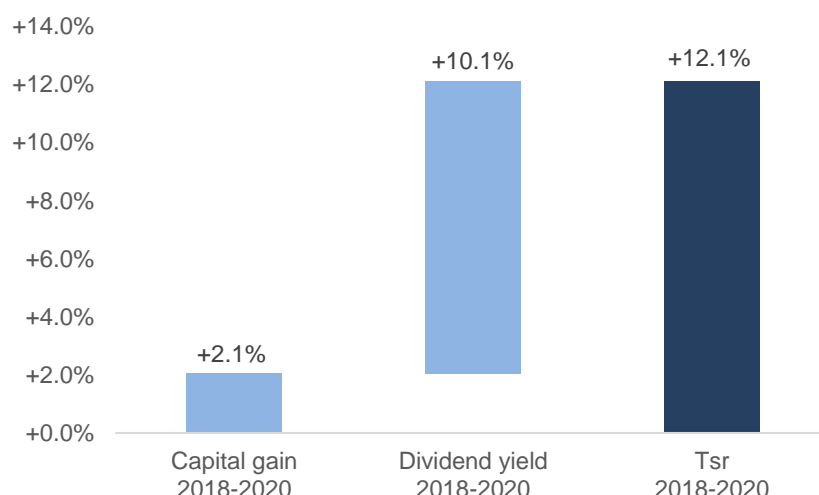
The overall performance illustrated above is also concrete evidence of the effectiveness of Hera's remuneration system and short and long-term incentive system, aimed at promoting a management style geared towards achieving (and exceeding) targets in line with the interests of shareholders and stakeholders.

ECONOMIC GROWTH IN THE 2018-2020 THREE-YEAR PERIOD (MN/EURO)



TOTAL SHAREHOLDER'S RETURN 2018-2020

(Percentages as compared to the market value of Hera stock at 1 January 2018)

**IV. Shareholder engagement activities**

Investor relations is a significant area of activity in terms of engagement by both executive members of the Board of Directors, as they are directly engaged in relations throughout the year through either the institutional road show or direct participation in conferences organized by brokers as well as individual meetings requested directly by investors.

The road show was held in conjunction with the presentation of the industrial plan to 2023, which led top management to meet with approximately 100 investors in the main financial centres for over a month, through to the end of February. Subsequently, relations were maintained virtually to overcome the limitations imposed by the health emergency. Another road show was organized by the Group's departments in the pre-Board meeting period to ensure timely, open and transparent discussions with investors involved in proactive direct engagement on governance issues. A subsequent road show was held in November 2020 on the occasion of the placement of the new 500 million euro bond.

In order to offer professional third-party opinions on the Group and its results, Hera Investor Relations, under the direct control of the Executive Chairman, constantly monitor the analyses performed on the Group by financial analysts and ESG specialists in order to grasp changes in the concerns of stakeholders and the evolution of best practices, as well as to foster continuous improvement in the satisfaction of investor requests. Almost all financial analysts expressed positive buy/outperform opinions at the end of the year and almost all the ESG analysts selected by the Group's policy highlighted progress in sustainability ratings; Hera's inclusion in the Dow Jones Sustainability Index in both the "World" and "Europe" as an "industry leader" in the Multi and Water Utility sector is worthy of mention.

In a difficult period such as the health emergency period, the Group has maintained a close relationship with investors in order to provide reassurances regarding the perfect continuity of the services managed, the maintenance of full safety for the health of the people who work at Hera and, finally, full compliance with promises regarding the payment of dividends at the beginning of July.

INTRODUCTION

This document was drafted in compliance with the regulations of Article 5 of the Code of Corporate Governance, adopted by Hera Spa through resolution of 11 November 2020, as well as with Article 123-ter of Legislative Decree no. 58/1998 (Testo unico della finanza - TUF), amended by Legislative Decree 2019/49, implementing the Shareholder Rights Directive (EU) 2017/828 (Shareholder Rights Directive 2, SHRD II in short), which requires listed companies to make available to the public a report on remuneration and allocated compensation prepared on the basis of the regulations laid out in Article 84-quater and Annex 3A, Schedule 7-bis of the Regulation implementing the TUF adopted by Consob through resolution no. 11971 of 14 May 1999 (Issuer's Regulation) and amended by Consob itself through resolution no. 21623 of 10 December 2020.

This report also provides evidence of the investments held by the members of the Board of Directors, the members of the Board of Statutory Auditors, the General Managers or spouses not legally separated and the minor children of such persons.

This report, approved by the Board of Directors on the proposal of the Remuneration Committee on 24 March 2021, defines and illustrates:

- in “section I”, the policy Hera has adopted for the remuneration of top management, Directors, the Board of Statutory Auditors and the Operations General Manager, specifying the way it enhances the company's strategy and sustainable success and identifies the bodies involved and the procedures adopted for defining and implementing the policy;
- in “section II”, the compensation nominally paid in the 2020 financial year to the members of the administrative and control bodies and to the Operations General Manager.

To make this report easier to understand and facilitate the process of reading it, a brief glossary is provided below with some of the most frequently-used terms:

Bsc (Balanced scorecard)	indicates the incentive system adopted by the Group to which, against the achievement of predefined individual and corporate objectives, the short-term variable component of remuneration is linked
Group	indicates all the companies included in Hera Spa's scope of consolidation.
Deferred monetary incentive plan for management retention	indicates the incentive system adopted by the Group to which, against the achievement of predefined objectives for a selected number of managers, the variable component of remuneration is linked
RAL (Gross annual salary)	indicates the gross annual fixed component of remuneration for individuals who have an employment relationship with one of the Group companies.
RDA (Direct annual salary)	RGA + annual accrued portion of the deferred variable component of remuneration for individuals who have an employment relationship with one of the Group companies.
RGA (Total annual salary)	RGA + annual variable component of remuneration for individuals who have an employment relationship with one of the Group companies.
RGA target	RAL + annual variable component of remuneration for individuals who have an employment relationship with one of the Group companies.
Top-level management	indicates the Group's top figures: the Executive Chairman and the Chief Executive Officer.

SECTION I - REMUNERATION POLICY

1 Introduction

“Section I” of this report outlines the principles and basic characteristics of the remuneration policy as applied to the top figures of the Hera Group, a category which includes the Operations General Director.

The fundamental principle which underpins the Group’s culture and directs its choices is its commitment to combining economic and social value with the ultimate goal of satisfying the legitimate expectations of all stakeholders. Hera seeks to be a business that withstands the test of time and to improve society and the environment for future generations to come.

At the next Shareholders’ Meeting on 28 April 2021, the proposal to amend Hera’s Articles of Association will be discussed, by introducing the following purpose: “The Company implements a business model with the objective of creating long-term value for its shareholders through the creation of shared value with its stakeholders. To this end, the Company organises and carries out business activities also with the aim of fostering social equality and contributing to the achievement of carbon neutrality, the regeneration of resources and the resilience of the managed services system, to benefit its customers, the local ecosystem of reference and future generations (Hera for the Planet, for People and for Prosperity)”.

The sense of responsibility that is the hallmark of its corporate culture and mission translates into an approach to remuneration that is similarly responsible. The remuneration policy was conceived as a factor that contributes to improving corporate performance and the creation of sustainable success in the medium to long-term.

With a view to responsible reward, and in the light of the recommendations contained in Art. 5 of the Code of Corporate governance, the Board of Directors, with the support of the Remuneration Committee, has therefore defined the remuneration policy.

Pursuant to Article 123-ter of the TUF, as amended by Legislative Decree 49/2019, the Shareholders’ Meeting is called to resolve on this Section I of the report on the remuneration policy and compensation paid, and this resolution will be binding.

2 Scope of application

In compliance with the provisions of Annex 3A for the implementation of the TUF adopted by Consob through Resolution no. 11971 of 14 May 1999 ("Issuers' Regulation"), the remuneration policy described in this document applies to the members of the administrative and supervisory bodies and to the Operations General Manager.

The table below lists the members, currently in office, of the Board of Directors and the Board of Statutory Auditors of Hera Spa, appointed at the Shareholders' Meeting of 29 April 2020. Finally, it should be noted that the General Manager Operations retired as of 1 January 2021.

Board of Directors

Name and surname	Office held
Tomaso Tommasi di Vignano	Executive Chairman
Stefano Venier	Chief Executive Officer
Gabriele Giacobazzi	Vice Chairman (independent)
Fabio Bacchilega	Director (independent)
Danilo Manfredi	Director (independent)
Alessandro Melcarne	Director (independent)
Lorenzo Minganti	Director (independent)
Monica Mondardini	Director (independent)
Erwin Paul Walter Rauhe	Director (independent)
Manuela Cecilia Rescazzi	Director (independent)
Paola Gina Maria Schwizer	Director (independent)
Federica Seganti	Director (independent)
Bruno Tani	Director (independent)
Alice Vatta	Director (independent)
Marina Vignola	Director (independent)

Board of Statutory Auditors;

Name and surname	Office held
Myriam Amato	Chairman
Antonio Gaiani	Standing Auditor
Marianna Girolomini	Standing Auditor
Stefano Gnocchi	Alternate Auditor
Valeria Bortolotti	Alternate Auditor

Managers with strategic responsibilities

Name and surname	Office held
Roberto Barilli - retired as of 1 January 2021	Hera Spa General Manager of Operations

3 Governance Model

3.01 Remuneration policy definition, approval and review process

The bodies and subjects involved in the drafting, approval and possible review of the Hera Spa remuneration policy report, as well as the bodies or individuals responsible for the correct implementation of this policy, are summarized below:

Entity in charge	Responsibilities/Activities
Shareholders' Meeting;	Binding resolution on "Section I" of the report on remuneration policies and compensation paid.
	Non-binding resolution on "Section II" of the report on remuneration policies and compensation paid.
Board of Directors	Defines, examines and approves the remuneration policy for the directors and executives of the Group, following a proposal by the Remuneration Committee.
Remuneration Committee	Formulates proposals to the Board of Directors for the remuneration of the Chairman, Vice Chairman, CEO and the Operations General Manager, as well as regarding the adoption of general remuneration criteria for managers.
Executive Chairman	proposes the policies for Group executives to the Remuneration Committee.
Personnel and Organisation Central Director	supports the Remuneration Committee, in particular regarding technical aspects. Oversees the correct implementation of the remuneration policy.

3.02 Role, composition and responsibilities of the Remuneration Committee

The Remuneration Committee has the task of formulating proposals to the Board of Directors for the remuneration of the Executive Chairman, Vice Chairman, CEO and the Operations General Manager, as well as based on the suggestions put forward by the CEO, for the adoption of general remuneration criteria for managers.

Executive directors do not take part in the decisions of the Remuneration Committee concerning the remuneration attributed to them.

The Committee also regularly evaluates the adequateness, overall consistency and concrete application of the general policy adopted for the remuneration of Executive Directors and the Operations General Manager.

In performing its functions, the Remuneration Committee has access to the information and business functions necessary for carrying out its duties, using an independent consultant if necessary.

This Committee, established for the first time at the 4 November 2002 meeting of the Board of Directors and last renewed in terms of its composition on 13 May 2020, in compliance with the provisions of the Corporate Governance Code in force at the date of appointment, is composed of the following independent non-executive directors: (Monica Mondardini, Fabio Bacchilega and Alice Vatta), and chaired by an independent director (Gabriele Giacobazzi).

The Remuneration Committee met five times in 2020; five sessions were attended by all the members, while one session was attended by almost all the members.

Composition of the Remuneration Committee – until 13 May 2020

Giovanni Basile (Chairman)	Majority list	2/2 meetings	2 meetings in 2020
Francesca Fiore	Minority list	2/2 meetings	
Massimo Giusti	Minority list	2/2 meetings	
Stefano Manara	Majority list	2/2 meetings	

Composition of the Remuneration Committee – after 13 May 2020

Gabriele Giacobazzi (Chairman)	Majority list	3/3 meetings	3 meetings in 2020
Monica Mondardini	Majority list	2/3 meetings	
Fabio Bacchilega	Majority list	3/3 meetings	
Alice Vatta	Minority list	3/3 meetings	

It should also be noted that the Board of Directors, at the time the Committee was last renewed, acknowledged that principle 6.P.3 of the Corporate Governance Code in force at the time was respected, as at least one member of the Committee had adequate knowledge and experience in financial matters or remuneration policies.

Upon the express invitation of the Chairman of the Remuneration Committee, Hera Spa's Executive Chairman, Chief Executive Officer and Organization and Personnel General Manager participated in the work of the Committee.

The length of the meetings of the Remuneration Committee, duly recorded in the minutes, were approximately two hours.

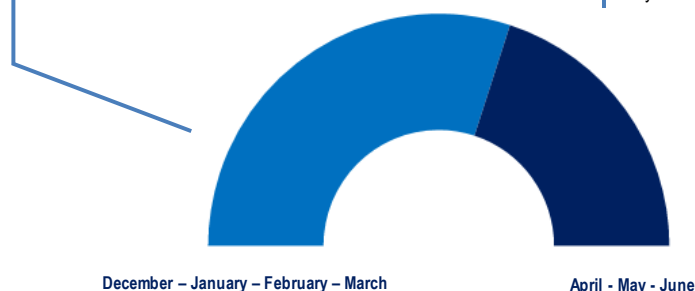
3.02.01 Remuneration Committee cycle of activity

The activities of the Committee are carried out according to an annual schedule that includes the following phases:

Review, update, and approve proposals for:

- short-term incentive system (Dec-Jan)
- deferred monetary incentive system for management retention (Dec-Jan)
- social incentive plan for executives (Dec-Jan)
- presentation of the remuneration report (Feb-Mar)
- approval of executive remuneration guidelines (Feb-Mar)

- final balance of the short-term incentive system
- final balance of the deferred cash incentive system for management retention (annual accrued portion)
- final balance of the social incentive plan for executives
- final balance of variable remuneration for top management
- updating of top management remuneration
- updating about trends in remuneration policies, incentive systems, and job evaluation



3.02.02 Activities carried out and planned

During the meetings held in the 2020 financial year, all regularly recorded in the minutes, the following subjects were discussed:

- 2020 BSC system for Group Directors, Executives and Managers;
- Welfare plan for directors;
- 2019 final balance – variable component – 2020 company objectives and welfare;
- final balance of 2019 variable remuneration for company top management;
- 2020 remuneration policies – managers and executives;
- top-level management.

In addition, the Committee reported on the work carried out by the Board of Directors.

4 Hera group remuneration policy

4.01 Aims and Fundamental Principles

The Company annually defines and applies a general policy on remuneration designed to attract, motivate and retain resources which possess the professional qualities needed to effectively pursue the Group's objectives.

The policy is defined in such a way as to align the interests of management with those of shareholders, pursuing the main goal of creating sustainable success in the medium to long-term period by consolidating the link between reward and performance, individuals and the Group.

The guiding principles adopted for defining the remuneration policy for the top management are:

- focusing on internal consistency between the level of remuneration offered and the complexity of the role performed;
- using and constantly updating the methodology for evaluating offices and the relative weight of each office, with the objective of guaranteeing standardised remuneration comparisons and analyses that are consistent with the development of the Group's organisational framework over time;
- constantly referencing the external market, for the reference sector as well, in order to check the consistency of the company's remuneration scheme, and its capacity to both attract talent and retain directors;
- linking the short-term variable part of remuneration to the Group's strategic priorities through the adoption of the balanced scorecard model, oriented towards economic-financial objectives and drivers of shared value, within which policies and projects to mitigate and adapt to climate change and create a circular resource management model are included;
- striking a balance between indicators of economic-financial performance, financial solvency, shared value creation in keeping with the sustainable development objectives identified by the United Nations and the shared targets of customer satisfaction in defining both short and medium-term variable incentive systems;
- constant focus on specific retention actions for resources in strategic and high market risk roles in order to ensure the pursuit of the Group's long-term interests;
- maintaining consistency between the Company's risk profile and the executive compensation package mix.

4.02 Correlation between remuneration, risk profile and company performance

The Hera Group has defined an integrated risk management and internal control system in relation to the financial information process pursuant to the provisions of Article 123-bis, paragraph 2, letter b) of the TUF.

This system is aimed at identifying, evaluating, managing and monitoring the main risks that could compromise the achievement of the objectives of dependability, accuracy, reliability and timeliness of financial information. The Hera System takes its inspiration from the internationally recognised CoSO Framework reference model, for the analysis, implementation and evaluation of the risk management and internal control system at the level of the Group as a whole.

In relation to the industry to which it belongs, the risk profile of the Hera Group occupies an intermediate position, between operators that concentrate more on regulated activities and operators involved in the more risky free market business operations. Overall, the risk profile is very conservative.

The remuneration currently offered is directed at preventing management from behaving in a way that would expose the company to excessive risks (risk-adverse approach) or risks of non-sustainability of the Group's results in the medium to long-term.

In relation to the consistent growth of the Group in terms of business results, company and local area dimensions and the investment made over the years to ensure that valuable human resources are covering roles which are key for the development and sustainability of the corporate strategy, a deferred monetary incentive plan was developed for management retention that represents the most suitable retention tool consistent with the distinctive characteristics of the Group.

This incentive plan as well, in line with the risk profile, aims to reinforce the culture of value creation, including in terms of the ability to create shared value, while consolidating the culture of financial solidity within the Group and, therefore, maintaining a conservative risk profile. This incentive plan has proven effective in aligning the management's actions with the objectives of strengthening the shareholders', and main stakeholders', fundamental parameters of interest; with the 2019 introduction of Enterprise added value as a parameter/objective, the retention plan further strengthens the Company's focus on shareholders' interests. The trend in total shareholders' return shows that the transfer of the value created by the Group has been incorporated into the performance of the shares and, consequently,

passed on to the benefit of the shareholders, which is the ultimate goal of the long-term plans and associated retention plan.

The performance targets based on which the variable remuneration components are assigned are put to the Board of Directors by the Remuneration Committee. In the proposal, the Committee differentiates between economic/financial indicators, solvency indicators and sustainability indicators, and provides details concerning the relationship between variations in results and variations in remuneration, with the clear aim of bringing remuneration into line with individual and company-level performance.

4.03 Correlation between remuneration and employees' compensation/working conditions

Since its establishment, the Hera Group has adopted a strategy that focuses on its people, who represent the real success factor for the company's growth and development.

The focus on human resources has always been a key element, thanks to best practices in the areas of welfare, working conditions, development and training, diversity and innovation. People are at the centre of the Group's policies, with processes designed from the outset to increase and innovate workers' skills, ensure mobility and development and foster self-learning.

Remuneration policy is thus also part of a corporate context that is particularly attentive to the working conditions of its employees and involves the harmonisation of practices and instruments adopted for the entire workforce.

A few examples:

- the extensive use of job evaluation at all levels of the organisation to assess the internal fairness and external competitiveness of the individual remuneration offer;
- a performance management process applied to managers, middle managers and employees to implement remuneration dynamics consistent with defined policies;
- constant focus on external market practices also for the determination of short-term variable rates for the Group's management population;
- adjusting the mix of the remuneration package in relation to the specificity of certain corporate roles (incentives for sales staff) or to specific retention needs (monetary retention bonuses for highly-skilled employees in the Group);
- the presence of an integrated company welfare system accessible to the entire population, characterised by the allocation of equal welfare quotas for all employees, additional investment in supporting the education of workers' children and the possibility of converting part of the result bonus into welfare credit;
- adopting the total reward statement for the entire company workforce which, with a view to greater transparency, allows all employees to view all monetary and non-monetary remuneration received in a year.

4.04 Group leadership model

With the aim of further strengthening the link between remuneration, performance and management behaviour, the Group's leadership model is considered to be a landmark example in the context of remuneration policies.

In view of a re-reading of the competitive context and the new challenges the Group is called on to engage with, during 2016 the model was revised and updated through a participatory method that involved all management in identifying the new, key competences. This process also included a wide-ranging market benchmark and careful analysis of strategic challenges.

The new model is based on four dimensions: I/we, today/tomorrow and involves four areas of expected results (each characterized by two distinctive competences): giving shape to results (energy and decision; realization), constructing common ground (cooperation; influence), adding value (excellence and simplification; managing complexity), building the future (innovation; valorising people).

The model stands out by virtue of its exemplary style and agility as an approach.

Each competence has been broken down in terms of distinctive behaviours for all the individual positions (directors, managers, middle managers, supervising employees and employees) on the basis of a scale from 1 to 5, ensuring that the model represents the behavioural reference point for the entire population involved.

Beginning in 2017, the new leadership model replaced the previous one in all the human resource management processes, including the performance management process.

The assessment of the behaviors outlined by the leadership model is therefore an integral part of the remuneration policy for the Group's executives and also represents a part of the short-term individual objectives included in the BSC.

4.05 Exceptions to the remuneration policy

Exceptionally and on a non-recurring basis, and subject to the advice of the Remuneration Committee, exceptions to the policy described above may be provided for by the Board of Directors (e.g. incentive targets, incentive systems, awards), without prejudice to the application, where necessary, of the rules laid down in the Procedure for operations with related parties.

It should be noted that "exceptional circumstances" are defined as those situations in which a deviation from this policy is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay in the market. Exceptional circumstances may include extraordinary transactions that were not previously planned (e.g., in the case of a merger or an acquisition restructuring, re-organisation or reconversion), changes to the company's organisational, managerial and administrative set-up that are likely to have an impact on the company's long-term economic and financial performance and value creation, and actions aimed at attracting/retaining highly skilled personnel.

5 Balancing compensation and remuneration elements

The structure of the remuneration package envisaged for the various offices is defined with a view to balancing the fixed and variable monetary and non-monetary components while taking the specific risk profile of the company into account.

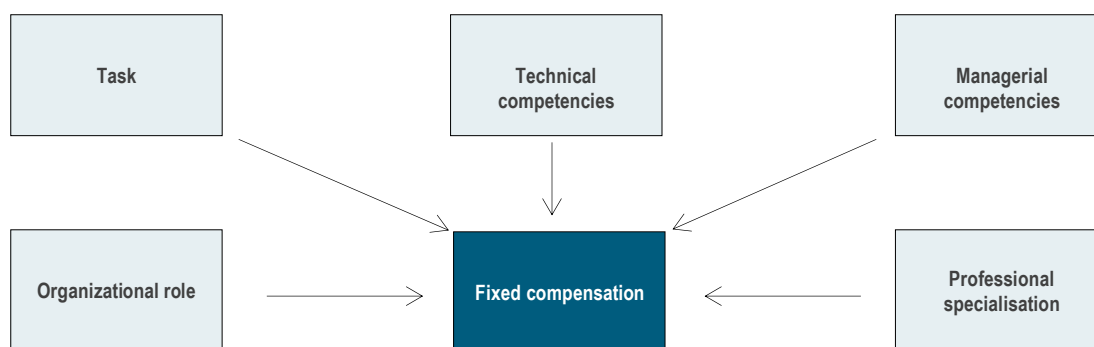
The fundamental components of remuneration for Hera Group top management are:

- fixed compensation;
- short-term variable compensation;
- deferred variable compensation for retaining managers;
- non-monetary benefits.

5.01 Fixed compensation

The fixed component of compensation is usually determined by the professional specialisation and the organisational role along with related responsibilities. It is therefore a reflection of technical, professional and managerial skills.

The levels of the fixed component of remuneration are established with respect to the specific nature of the company and its risk profile, so as to guarantee the ability to attract and retain talent with the professionalism the Group requires.



For each executive, the reference salary level is determined on the basis of the weight of the organizational position held, on the basis of which a benchmarking comparison is carried out in relation to selected external markets. The benchmarking, carried out by an external company, takes into consideration a total of 252 companies, 35% of which are Italian and 65% foreign. 13.9% of the companies have more than 5,000 employees.

These benchmarks are drawn from specialized, sector companies that carry out remuneration surveys, surveys in which the Group participates. On the whole, the remuneration level chosen as a reference

point is in the medium band for the market (first quartile/median). These market references, combined with an evaluation of performance and managerial ability, form the basis of individual compensation reviews.

5.02 Short-term variable compensation – The Balanced Scorecard system (BSC)

The short-term variable component of remuneration is linked to the achievement of individual and Group objectives that derive directly from the Company's strategic priorities through the adoption of the balanced scorecard model.

5.02.01 Recipients

The scope of the BSC system includes all Directors and Executives of Hera Spa and the Group's subsidiary companies. In relation to the population of Directors and Executives in 2020, the scope includes 42 Directors and 113 Executives. A similarly arranged evaluation form is also envisaged for the Chairman and the CEO.

5.02.02 Individual objectives definition process

The short-term incentive system involves assigning an individual BSC for each of the recipients. Each BSC includes a series of objectives belonging to three evaluation areas:

- target projects, defined on the basis of the Group's strategic map, derived from the business plan and consistent with the medium/long-term policies and objectives on all the ESG levels; this area has a relative weight that for directors may vary from 50% to 80%, for executives from 40% to 70% of the total of the scorecard;
- economic objectives of the individual budget units, assessed by means of economic-financial indicators; this area has a relative weight that for directors and managers may vary from 10% to 40% of the total of the scorecard;
- evaluation based on the extent of adoption of the types of behaviour set out in the leadership model adopted by the Group; this area has a relative weighting of 10% for directors and 20% for managers of the total of the scorecard.

Each area is divided into a series of pre-set objectives, each with a specific performance indicator. The relative weight of each area under the scope of the individual BSC is different for Directors and Executives, and corresponds to the total of the weight of the individual objectives belonging to the same area.

5.02.03 Performance measurement

The BSC system entails a series of quality-quantitative assessments for the Directors/Executives listed below.

- a quarterly assessment that is also shared in the management review (Management Committee);
- the most important strategic projects are evaluated in terms of the progress made, the obstacles that might cause a possible slowdown of the project and what might be done to resolve them;
- any instances of outperformance are taken into consideration during the revised budget;
- the assessment of projects is quality-quantitative;
- the evaluation of behaviours in keeping with the model takes place with the recipient's superior, who specifically assesses the executive's behaviour according to the eight features identified by the leadership model:
 - a) Energy and decision making
 - b) Implementation
 - c) Cooperation
 - d) Influence
 - e) Excellence and simplification
 - f) Complexity management
 - g) Innovation
 - h) People valorisation

This assessment system (described in "section 4.3") encourages management not only to achieve the individual targets set, but also to implement behaviours that give rise to intangible value inside and outside the organization, important for granting greater strength and concreteness to the company's values in the daily work of all employees.

The Committee defines a target at the beginning of each reference period and for each objective. Individual performance is determined according to whether the set targets are actually achieved (result) and the specific weight of the individual objective, according to the following modes:

- target projects: each assigned project is assessed by the direct manager using 11 levels of assessment (0%, 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%, 100%) chosen on the basis of the actual achievement of the indicators set out in each project;

	Project target achieved (assessment level:100%)	Project target almost entirely achieved (assessment levels: 90%-80%-70%)	Project target partially achieved (assessment levels:60%-50%)	Significant deviations from project target achievement (assessment levels: 40%-30%-20%-10%)	Project target not achieved (score 0%)
Indicators	All relevant targets achieved* or surpassed: 100% targets achieved	Majority of relevant targets achieved*: 75% <=targets achieved<100%	More than half or half of relevant targets achieved*: 75% <=targets achieved<50%	Only some relevant targets achieved*: 50% <=targets achieved<10% 50% <=targets achieved<10%	No relevant target achieved*

* relevant targets are targets whose achievement is a necessary condition for the full fulfilment of the project objectives.

- economic objectives of the individual budget units: the result is automatically assessed on the basis of the final values from the statutory financial statements of the assigned economic indicators with a "achieved/not achieved" logic;
- leadership model behaviours: the assessment is made on all the eight behaviours envisaged by the model and is calculated on the basis of the arithmetic mean of the assessments of each behaviour; the target for each, on an assessment scale from one to five, is set to three for all company qualifications, a value that represents the solid expression of the individual behaviour throughout the reference period; the % of achievement of the target on behaviours is distributed over ten segments as follows:

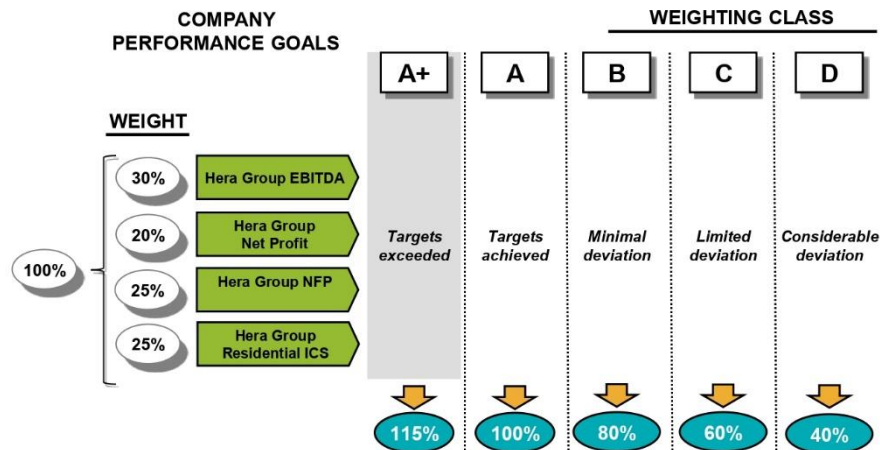
– arithmetic mean of the eight assessments	> =3	result 100%
– arithmetic mean of the eight assessments	> 2.8 and < 3	result 90%
– arithmetic mean of the eight assessments	> 2.7 and <= 2.8	result 80%
– arithmetic mean of the eight assessments	> 2.6 and <= 2.7	result 70%
– arithmetic mean of the eight assessments	> 2.5 and <= 2.6	result 60%
– arithmetic mean of the eight assessments	> 2.4 and <= 2.5	result 50%
– arithmetic mean of the eight assessments	> 2.3 and <= 2.4	result 40%
– arithmetic mean of the eight assessments	> 2.2 and <= 2.3	result 30%
– arithmetic mean of the eight assessments	> 2.1 and <= 2.2	result 20%
– arithmetic mean of the eight assessments	> 2.0 and <= 2.1	result 10%
– arithmetic mean of the eight assessments	<= 2.0	result 0%

The result of the evaluation carried out using the aforementioned model is weighted through a company result profile, which takes into account the performance recorded by the Group with reference, for 2020, to four parameters:

- EBITDA;
- Net Profit;
- Net Financial Position (NFP);
- Customer Satisfaction Index (CSI).

On the basis of the performance profile achieved by the Company on these four parameters, the weighting percentage to be applied to the individual results is defined in a range from 115% of the bonus (in the event of performance beyond that set out in the established company targets) and 40% of the bonus (in the event that performance is significantly below set company targets) according to the following scheme:

Remuneration Report weighting scheme



Each parameter is evaluated separately. The weighting percentage is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator. All the indicators in class D cause the weighting percentage to be reduced to zero.

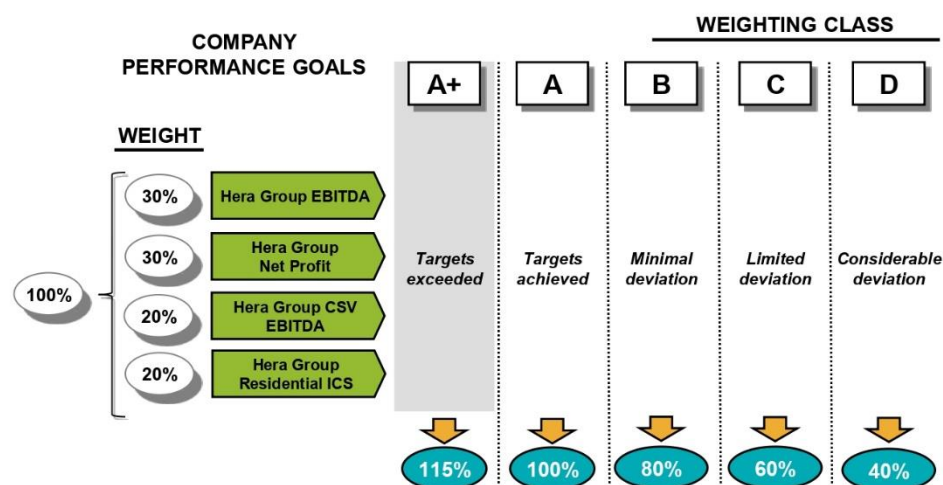
For 2020, the target values of the four weighting parameters are:

- Hera Group EBITDA: 1,104 mn;
- Hera Group Net Profit: 312.4 mn;
- Hera Group NFP: 3,301 mn;
- Hera Group Residential CSI: 72.

Moreover, with the aim of further strengthening the link between the Basic scorecard system and the achievement of objectives linked to medium- and long-term sustainability targets, the Hera Group EBITDA CSV KPI will be introduced in place of the Hera Group NFP beginning in 2021, with a weight of 20%.

The structure of the parameters and their weights for the financial year 2021 is therefore as follows:

2021 Remuneration Report weighting scheme



5.02.04 Incentive level

The short-term variable remuneration envisaged by the BSC system on meeting 100% of the individual objectives involves an amount expressed as a percentage of the gross annual fixed remuneration (RAL), divided by category of recipient:

- Executive Chairman and CEO 50% of RAL (*)
- Directors: 30% of RAL
- A-class executives: 22% of RAL
- B-class executives: 17% of RAL

(*)Taking into account the independent waiver by the Executive Chairman and the Chief Executive Officer of the increase from 40% to 50% of the short-term variable for the 2020 financial year, this percentage remains at 40% for the 2020 financial year and is increased to 50% beginning in the 2021 financial year.

Executives are expected to have two separate variable remuneration levels, based on the weight of the manager within the organization and the strategic value of the executive's duties.

With reference to 2020, depending on the results of the incentive scheme and the position held, the following maximum salaries are provided for:

- for the Executive Chairman and Chief Executive Officer: a maximum variable remuneration of 46% of the total gross fixed compensation [(46%) = maximum individual variable (40%) x maximum company weighting (115%) corresponding to the achievement of all assigned targets (class A+)];
- for directors: a maximum variable remuneration of 34.5% of the total gross fixed compensation [(34.5%) = maximum individual variable (25%) x maximum company weighting (115%) corresponding to the achievement of all assigned targets (class A+)];
- for executives: there are two distinct levels of maximum variable remuneration based on the weight of the executive within the organization and the strategic importance of the executive's tasks, equal to 25.3%, respectively [(25.3%) = maximum individual variable (22%) x maximum company weighting (115%) corresponding to the achievement of all assigned targets (class A+)] of the total gross fixed remuneration and 19.6% [(19.6%) = maximum individual variable (17%) x maximum company weighting (115%) corresponding to the achievement of all assigned targets (class A+)] and of the total gross fixed remuneration.

The following table shows a summary of the maximum variable compensation for the various categories of recipients in the event of maximum individual performance and outperformance of all corporate targets:

Position held	Maximum company weighting (A)	Maximum individual variable (B)	Maximum variable compensation (AxB)
Executive Chairman and Chief Executive Officer	115%	40%	46%
Directors	115%	30%	34.5%
A-class executives	115%	22%	25.3%
B-class executives	115%	17%	19.6%

The table below illustrates the mechanism for measuring the maximum bonus for a director:

Component	Description	Example: outperforming company targets and achieving the maximum individual assessment	Example: achieving company targets and maximum individual assessment
A	Annual gross compensation (euro)	100,000	100,000
B	Target Bonus (% RAL)	30%	30%
C	Target Bonus (euro) = A x B	30,000	30,000
D	Individual objectives achieved (%)	100%	100%
E	Company performance weighting coefficient (%)	115%	100%
F	Value of the bonus paid (euro)	34,500	30,000

With regard to transactions of strategic importance of an exceptional nature, with significant effects on the results of the company, the Board of Directors, following the proposal of the Remuneration Committee, can award discretionary bonuses to executive directors and management with strategic responsibilities. This discretionary bonus has been awarded to the CEO as explained in paragraph 9.02.

5.03 Long-term variable compensation: management retention plan

5.03.01 Plan purpose and beneficiaries

The long-term variable compensation is associated with retention plan which for 2020 is applied to the Executive Chairman, the CEO and a limited number of executives, for the latter taking into account the weight of their organizational positions and the performance evaluations they achieved in the development process, and market risk.

An annual evaluation mechanism is in place for accessing and renewing/not renewing the awarding of the monetary plan.

The Board of Director's decision to introduce the retention plan stemmed from its evaluation of a series of elements:

- since the establishment of Hera, the Group has grown significantly in terms of company size, area served and final results;
- from the point of view of executive management, the Group has reached a composition that is the result of a careful balancing between bringing in new skillsets, coming from the market, and specific, valuable competencies already present;
- the Group currently enjoys a strong reputation and good visibility on the market, and consequently it makes sense to engage in highly selected retention actions for those executives who hold strategic roles and display both high performance and high market risk.

The plan involved an initial three-year period, 2016-2018, with the awarding of the first bonus, an additional three-year period, 2019-2021, during which the retention plan was to evolve in terms of the parameter relating to the strategic objectives of the Group, as established by the Board of Directors in the meeting of 19 December 2018: further enhancing the ability to create and share value, as well as further consolidating the Group's culture of financial solidity in the long term to more fully aligning it with the interests of stakeholders.

The following general criteria apply to identify the scope of potential beneficiaries:

- identifying a limited number of executives, based on gauging their organizational position, performance evaluation achieved in the development process, and seniority;

- annual evaluation mechanism for accessing and renewing/not renewing the awarding of the monetary plan, based on the above criteria;
- top management's responsibility in choosing beneficiaries also in view of assessment criteria based on current market risk of the professional profile in question.

Beginning from the 2020 financial year and for the three-year period 2020-2022, as resolved by the Board of Directors on 24 June 2020, the Executive Chairman was also included in the scope of the plan's beneficiaries.

5.03.02 Objectives definition process

From the point of view of keeping remuneration in line with performance, the retention plan encourages a commitment to the development of individual managerial skills and the achievement of the strategic objectives of the Group in a three-year perspective.

The evaluation parameter of individual managerial skills considers the level achieved by recipients in the three-year period in relation to the 8 dimensions identified by the leadership model:

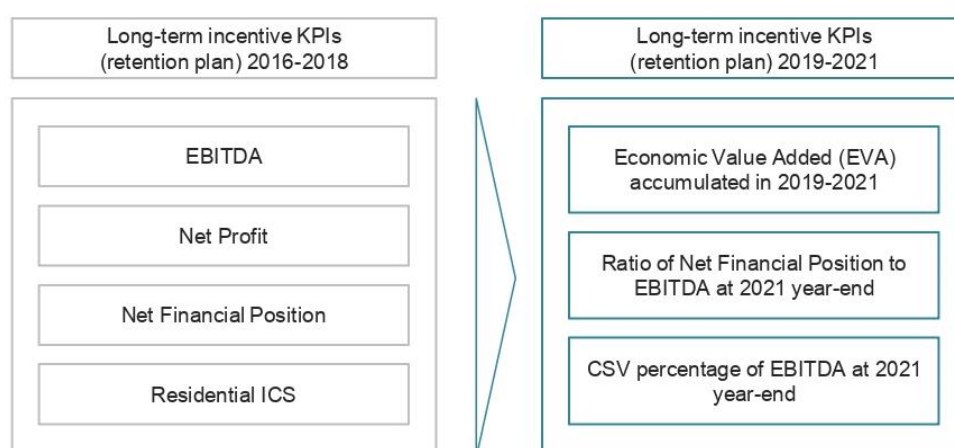
- Energy and decision making
- Implementation
- Cooperation
- Influence
- Excellence and simplification
- Complexity management
- Innovation
- People valorisation

The component relating to the achievement of the Group's strategic objectives was updated on the occasion of the second three-year period of application 2019-2021, as resolved by the Board of Directors at its meeting of 19 December 2018.

The new structure aims to enhance the value of the award in proportion to the level of achievement of the set objective and provides for three new indicators (with equal weights):

- economic-financial indicator: EVA (Economic Value Added) or the cumulative target value for the three-year period, equal to the difference between NOPAT (Net Operating Profit After Taxes) and WACC (Weighted Average Cost of Capital) for the capital invested;
- the year-end three-year relationship between the Net Financial Position and EBITDA;
- the target percentage of Created shared value (CSV) on EBITDA at the end of 2021.

The following diagram shows the Group's long-term strategic objectives for the new retention plan as compared to those used in the previous version:



5.03.03 Maximum incentive level, performance measurement and bonus vesting mechanism

For the Chief Executive Officer, the maximum three-year incentive value is 113.33% of the fixed annual remuneration (RAL) at the achievement of 100% of corporate targets over the three-year period. This percentage was determined in light of the resolution of the Board of Directors of 24 June 2020, which

established to raise the maximum theoretical value of the plan relative to the three-year period 2019-2021 from 100% to 120% upon achievement of 100% of the objectives, beginning in 2020.

In addition, the same resolution confirmed the allocation of the 2022-2024 long-term incentive plan with a maximum bonus of 120% of remuneration.

For the Executive Chairman, the maximum three-year incentive value is 120% of the fixed annual remuneration (RAL) at the achievement of 100% of corporate targets at December 2022. This percentage was determined in light of the resolution of the Board of Directors on 24 June 2020, which also established the three-year duration of the plan from 2020 to 2022.

For the 2019-2021 three-year period, the target values of the pre-set objectives (KPI) are:

- EVA: 377 mn with a WACC of 4.5%;
- NFP/EBITDA: 2.84;
- %CSV: 40%.

For the 2020-2022 three-year period, the target values of the pre-set objectives (KPI) are:

- EVA: 461 mn with a WACC of 4.5%;
- NFP/EBITDA: 2.88;
- %CSV: 41%.

For the rest of Group management covered by the retention plan, the maximum three-year incentive is 100% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the gross annual fixed remuneration, or 33% of the gross annual fixed remuneration) or 50% of the gross annual fixed compensation (therefore the corresponding annual quota is equal to one third of the gross annual fixed remuneration, or 16.67% of the gross annual fixed remuneration). For the three-year period 2019-2021, the reference salary is that of April 2022; the differentiation of the amount of the bonus among the different beneficiaries is based on the weight of the organisational position held, the assessment of the performance achieved within the development process and the market risk.

The maximum value of the retention plan premium is determined according to the following calculation system:

- Executive Chairman (three-year reference period 2020-2022 with a planned disbursement in May 2023)



- CEO (three-year reference period 2019-2021 with a planned disbursement in May 2022)



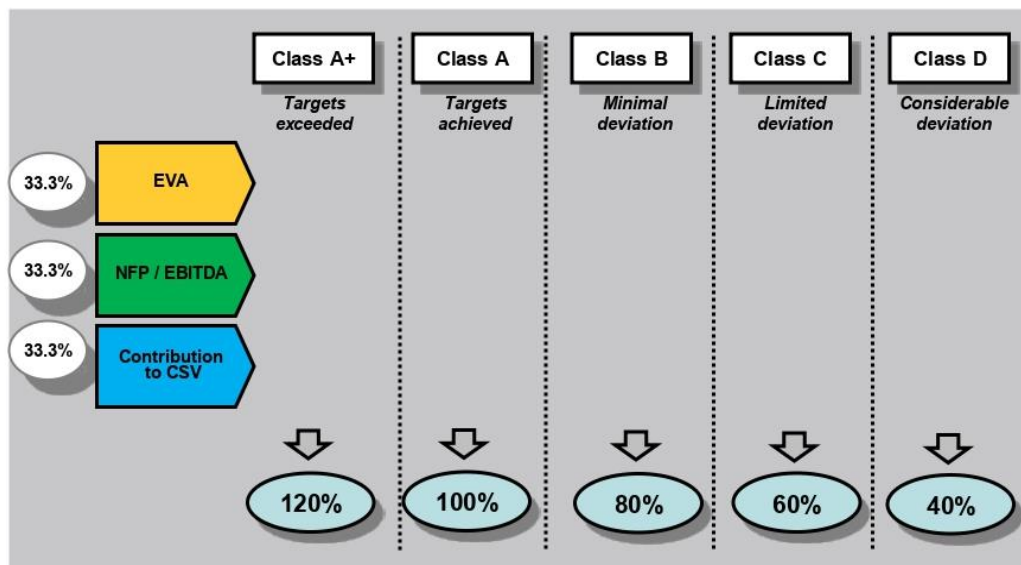
(*) this % becomes 120% in the 2022-2024 three-year reference period)

- For the rest of the Group's management benefiting from the retention plan (three-year reference period 2019-2021 with a planned disbursement in May 2022)



The evaluation parameter of developing individual managerial skills does not apply to the Chief Executive Officer, as these same evaluation elements are considered to already be expressed by the achievement level of Group KPIs.

The level of achievement of Group Kpis may vary from 40% to 120% according to the following scheme:



Each indicator is evaluated separately. The overall achievement percentage is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator. All the indicators in class D cause the overall achievement percentage to be reduced to zero.

The assessment parameter of the development process is given by the average over the three-year period of the evaluations on performance and managerial skills or by the annual positioning of each beneficiary within the following matrix that determines its relative weighting:

PERFORMANCE	A (ADVANCED)	75%	100%	100%
	M (ACCEPTABLE)	50%	75%	100%
	B (BASE)	0%	20%	25%
		B (BASE)	M (ACCEPTABLE)	A (ADVANCED)
		MANAGERIAL SKILLS		

The bonus is to be paid in the month of May of the 4th year, provided that the recipient is still part of the workforce.

In relation to the beneficiaries confirmed in the new long-term incentive plan, in order to limit the risk of post-disbursement dropout, the disbursement is set in May of the second year (in the case of the current

three-year period, disbursement took place in July 2020) as an advance (returned in the event of termination of the relationship) of the theoretical amount accrued for the first year of the three-year period (advance payment of the first year equal to one third of the total three-year bonus).

The payout of the remaining portion (equal to two-thirds of the bonus) is instead scheduled in May of the fourth year. If at the end of the period (at the end of the three-year period) the performance achieved merits a variable remuneration lower than the amount already paid as an advance, the differential will be deducted from the remuneration for the current year (fourth year).

5.04 Non-monetary benefits and welfare plan

In line with best practices, the plan also involves the following main forms of insurance coverage: D&O Liability against civil responsibility towards third parties, professional and extra-professional accidental injury, death, and permanent disability due to illness. Executives are also to be assigned a company car for business and personal use.

Furthermore, beginning in 2017, with the aim of further strengthening the Group's management retention, a welfare plan was introduced, linked to the achievement of the Group's corporate objectives, that involves paying out welfare quotas that can be spent on the services included among those of the existing corporate welfare plan.

Payout is directly linked to the level of achievement of the Group KPIs already used as to weight the results of the BSC system following a scheme which, for each individual indicator, allows the bonus to be accessed only if performance exceeds the target associated with that indicator.

Each indicator is evaluated separately. The overall result is determined by calculating the weighted average of the percentage values that come from the results of each individual indicator.

The maximum value, on achieving 100% of plan objectives, is 6% of the individual theoretical variable, namely:

- executive members (Executive Chairman and Chief Executive Officer): there is a maximum welfare bonus equal to 6% of 40% (50% beginning in 2021) of the total gross fixed remuneration (equivalent to 2.4% of the RAL, 3% beginning in 2021);
- directors: there is a maximum social bonus equal to 6% of 30% of the total gross fixed remuneration (equivalent to 1.8% of the RAL);
- executives: there are two separate levels of maximum welfare bonus, equal to 6% of 22% of the total gross fixed remuneration (equivalent to 1.3% of the RAL) and 6% of 17% of the total gross fixed remuneration (equivalent to 1% of the RAL), respectively;

Furthermore, in keeping with the implementation of the Group welfare plan launched in 2016, access to a Flexible Benefit plan was established for all Group employees, involving the allocation of 385 euro in 2020.

Finally, the entire non-managerial population of the Group is allowed to convert up to 50% of the corporate performance bonus into the goods and services included as part of the corporate welfare plan. Lastly, beginning in March 2020 and throughout the year 2021, in order to confirm the constant focus on protecting the health and well-being of the members of the Board of Directors, the members of the Board of Statutory Auditors and its employees, the Company has activated a Covid-19 insurance coverage policy, which provides a package of guarantees and services as an additional benefit to support the people who work for the Group.

6 Remuneration of Directors and the Operations General Manager

The following different types of directors can be found within the Board of Directors:

- executive directors holding specific offices to whom specific powers are delegated;
- non-executive directors (hereinafter referred to as non-executive directors).

The current breakdown of the Hera Spa Board of Directors is as follows:

- executive directors: the Chairman of the Board of Directors Tomaso Tommasi di Vignano and the CEO Stefano Venier;
- non-executive directors: the Vice Chairman of the Board of Directors Gabriele Giacobazzi and the directors Fabio Bacchilega, Danilo Manfredi, Alessandro Melcarne, Lorenzo Minganti, Monica Mondardini, Erwin P.W. Rauhe, Manuela Cecilia Rescazzi, Paola Gina Maria Schwizer, Federica Seganti, Bruno Tani, Alice Vatta and Marina Vignola.

6.01 Non-executive Directors

With regard to non-executive directors, following their appointment, the Shareholders' Meeting on 29 April 2020 established that they receive a gross annual payment of 40,000 thousand euro, in addition to reimbursement of living expenses sustained while performing their office.

The Board of Directors, with regard to the offices held by Directors in Group companies, as well as in the HERA Group committees (Executive Committee, Remuneration Committee, Control and Risks Committee and Ethics and Sustainability Committee) decided to award these Directors a total sum of 20,000 thousand euro gross per year.

The same Board of Directors decided, on 24 June 2020, to award the Vice Chairman a fixed annual sum of 85,000 thousand euro for the duration of his office which includes the indemnity due as a director and any other fees for offices held in Group companies.

Office	2017 compensation	2018 compensation	2019 compensation	2020 compensation
Vice Chairman	85,000 €	85,000 €	85,000 €	85,000 €
Member of the Board of Directors	40,000 €	40,000 €	40,000 €	40,000 €
Member of Hera Group committees and/or the Board of Directors of Group companies	20,000 €	20,000 €	20,000 €	20,000 €

Note that, in line with best practices and the instructions in the Corporate Governance Code, there are no provisions for a variable component in the payment of non-executive directors.

In line with best practices, the plan also involves the following main forms of insurance coverage: D&O Liability against civil responsibility towards third parties, professional and extra-professional accidental injury, and death.

6.02 Executive Directors and the Operations General Manager

6.02.01 Fixed payments

With regard to the offices of Executive Chairman and Chief Executive Officer, a fixed annual remuneration of 380 thousand euros, gross, was confirmed for each of them (as resolved by the Board of Directors on 24 June 2020 effective 29 April 2020), inclusive of the compensation established for the office, as well as for offices held in Group companies. This remuneration, valid for the entire duration of the term, was determined by taking into account their positioning with respect to the market and the benchmark levels reported for top positions in listed multiutility companies.

The Chairman, CEO and Operations General Manager come under the scope of the remuneration policies defined for the top management of the company, the methodology of which is based, as stated previously, on the method of weighting their positions carrying out comparisons with the market.

6.02.02 Short-term variable compensation

As for the variable component of short-term compensation, a variable compensation linked to the achievement of the Group's performance objectives was confirmed for the Executive Chairman and Chief

Executive Officer for 2020: a bonus equal to 50% of the fixed annual remuneration in relation to the achievement of 2020 target economic-financial results (NFP, EBITDA and net result) and the results of 2020 customer satisfaction survey (CSI), and in compliance with the weighting criteria already applied to the individual results achieved by the population of directors and executives included in the BSC system. If the assigned targets are outperformed, a maximum increase in performance of 15% is expected, generating a maximum variable remuneration of 57.5% [(57.5%) = maximum individual variable (50%) x maximum company weighting (115%), corresponding to outperforming all assigned targets (class A+)].
() Taking into account the independent waiver by the Executive Chairman and the Chief Executive Officer of the increase from 40% to 50% of the short-term variable for the 2020 financial year, this percentage remains at 40% for the 2020 financial year and will increase to 50% beginning in the 2021 financial year.

In order to facilitate the comparative reading of the remuneration elements for the last 2 financial years, the company's results for 2019 and 2020 are shown below.

Calculation of having reached company targets in 2019 (paid out in July* 2020):

Weights (A)	KPI	Target	Result achieved	as compared to the target	Class of weighting (B)	Weighting (AxB)
30%	EBITDA (mn€)	1,067	1,085.1	Achieved	100%	(A) 30.0%
20%	Net profit (mn€)	308	317.1	Exceeded	115%	(A+) 23.0%
25%	NFP (mn€)	2,780	2,690.8	Exceeded	115%	(A+) 28.8%
25%	Residential ICS	70	71	Exceeded	115%	(A+) 28.8%
100%						110.5%

*: The postponement of the bonus payments linked to short-term company targets to July is a measure adopted by the Group to contain the effects related to the health emergency. This practice is adopted by most companies in the sectors that will experience a less significant impact of the pandemic on their business results.

Calculation of achievement of 2020 company targets (to be paid in 2021):

Weights (A)	KPI	Target	Result achieved	as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mn€)	1,104	1,123	Achieved	100%	(A) 30.0%
20%	Net profit (mn€)	312.4	322.8	Exceeded	115%	(A+) 23.0%
25%	NFP (mn€)	3,301	3,227	Achieved	100%	(A) 25.0%
25%	Residential ICS	72	73	Exceeded	115%	(A+) 28.8%
100%						106.8%

The variable short-term bonus for 2019 was therefore 44.2% (110.5% x40%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 46% of the fixed gross annual remuneration).

The variable short-term bonus for 2020 was therefore 42.7% (106.8% x40%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 46% of the fixed gross annual remuneration).

The executive directors have no obligation to use their remuneration to invest in Hera shares.

For the Operations General Manager, the variable annual compensation amounted to 30% of the total fixed gross remuneration on having achieved 100% of the set objectives; This percentage was raised from 25% (2019) to 30% with effect from the 2020 financial year. The individual result is then weighted in relation to a company result profile, which took into account the performance of the Group with reference to the current year. The weighting envisaged a maximum growth of individual results equal to 15%, thus generating a maximum variable remuneration equal to 34.5% of the total fixed gross remuneration.

The variable short-term bonus for 2019, on achieving 99% of individual targets, was therefore 27.3% (110.5% x99%x25%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 28.8% of the fixed gross annual remuneration).

The variable short-term bonus for 2020, on achieving 97% of individual targets, was therefore 31.1% (97.0% x106.8%x30%) of the fixed gross annual remuneration (as compared to the maximum theoretical bonus equal to 34.5% of the fixed gross annual remuneration).

6.02.03 Group welfare plan

Beginning in 2017, an incentive plan was introduced for the Executive Chairman and CEO, linked to the achievement of the Group's corporate objectives, that involves paying out welfare quotas that can be spent on the services included among those of the existing corporate welfare plan, the form of which is comparable to that described above, in "paragraph 5.04".

The maximum value, on achieving 100% of the welfare plan objectives, is 6% of the individual theoretical variable, namely for 2020:

- for the Executive Chairman and Chief Executive Officer it is equal to 6% of 40% of the total of fixed gross remuneration (equivalent to 2.4% of the total of fixed gross compensation);
- for the Operations General Manager, it is equal to 6% of 30% of the total of fixed gross remuneration (equivalent to 1.8% of the total of fixed gross compensation).

In order to facilitate the comparative reading of the remuneration elements for the last two financial years, the welfare plan results for 2019 and 2020 are shown below.

Calculation of having achieved the welfare plan targets in 2019 (paid out in July 2020):

Weights (A)	KPI	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mn€)	1,067	1,085.1	Not achieved	0%	0%
20%	Net profit (mn€)	308	317.1	Achieved	100%	(A+) 20.0%
25%	NFP (mn€)	2,780	2,690.8	Achieved	100%	(A+) 25.0%
25%	Residential ICS	70	71	Achieved	100%	(A+) 25.0%
100%						70.0%

Calculation of achievement of 2020 welfare plan targets (to be paid in 2021):

Weights (A)	KPI	Target	Result achieved	Result as compared to the target	Weighting class (B)	Weighting (AxB)
30%	EBITDA (mn€)	1,104	1,123	Not achieved	0%	0%
20%	Net profit (mn€)	312.4	322.8	Achieved	100%	(A+) 20.0%
25%	NFP (mn€)	3,301	3,227	Not achieved	0%	0%
25%	Residential ICS	72	73	Achieved	100%	(A+) 25.0%
100%						45.0%

The value of the welfare plan pertaining to 2019 for the Executive Chairman and the Chief Executive Officer was thus equal to 1.7% (6%x40%x70%) of the gross fixed annual remuneration (compared to the maximum theoretical bonus equal to 2.4% of the gross fixed annual remuneration), while for the Operations General Manager to 1.05% (6%x25%x70%) of the gross fixed annual remuneration (compared to the maximum theoretical bonus equal to 1.5% of the gross fixed annual remuneration).

The value of the welfare plan pertaining to 2020 for the Executive Chairman and the Chief Executive Officer is thus equal to 1.1% (6%x40%x45%) of the gross fixed annual remuneration (compared to the maximum theoretical bonus equal to 2.4% of the gross fixed annual remuneration), while for the Operations General Manager the value of the welfare plan is equal to zero, in accordance with company regulations, which envisage the payment of bonuses accrued from July of the year following their accrual only if he or she is still employed by a Group company.

Lastly, with reference to the implementation of the Group welfare system launched in 2016, involving the allocation to all Group employees of an annual quota that may be spent as part of the services included in the existing corporate welfare plan, access to a Flexible Benefit plan was defined for the Chief Executive Officer, consistent with his position as a Group executive, and for the Operations General Manager, resulting in the granting of a €385 quota in 2020. This quota is the same for the whole company population.

6.02.04 Deferred variable compensation for retaining managers

As part of the tools for retaining executive management (at high market risk), a deferred variable remuneration was introduced for the CEO linked to the achievement of the economic-financial results of the Group in the years 2019, 2020 and 2021. The relative maximum economic value for the three-year reference period will be 113.33% of the RAL of December 2021, with payout scheduled for the end of the 2021 financial year, upon approval of the associated financial statements by the Shareholders' Meeting, and on the condition that he is still in service for all intents and purposes in the Group companies as of that date.

This percentage was determined in light of the resolution of the Board of Directors of 24 June 2020, which established to raise the maximum theoretical value of the plan relative to the three-year period 2019-2021 from 100% to 120% upon achievement of 100% of the objectives, beginning in 2020.

Since the Chief Executive Officer has been confirmed as being among the beneficiaries in the new long-term 2019-2021 incentive plan - the theoretical sum accrued for the first year of the 2019-2021 three-year period (advance of the first year of 33.33% calculated on the basis of the maximum bonus previously provided for 2019) was disbursed in July 2020 by way of an advance (to be repaid in the event the employment relationship is terminated).

The payout of the remaining portion is instead scheduled for 2022 (that is, at the end of the three-year period). If at the end of the period (at the end of the three-year period) the performance achieved merits a variable remuneration lower than the amount already paid as an advance, the differential will be deducted from the remuneration for the current year (fourth year).

Furthermore, on 24 June 2020 the Board of Directors resolved to introduce a deferred variable remuneration was introduced for the Executive Chairman linked to the achievement of the economic-financial results of the Group in the years 2020, 2021 and 2022. The relative maximum economic value for the three-year reference period will be 120% of fixed compensation of December 2022, with payout scheduled for the end of the 2022 financial year, upon approval of the associated financial statements by the Shareholders' Meeting, and on the condition that he is still in service for all intents and purposes in the Group companies as of that date.

With regard to the offices of Executive Chairman and Chief Executive Officer, the theoretical composition of the 2020 maximum remuneration package is summarized below:

Executive Chairman

Annual gross compensation	380,000 €
Short-term variable compensation (max. 46% of the RAL)	174,800 €
Social incentive plan (max. 2.4% of the RAL)	9,120 €
Deferred variable compensation (annual pro-quota max. 1/3 of 120% of the RAL equalling 40%)	152,000 €
Total	715,920 €

Chief Executive Officer

Annual gross compensation	380,000 €
Short-term variable compensation (max. 46% of the RAL)	174,800 €
Social incentive plan (max. 2.4% of the RAL) + Flexible Benefit plan	9,505 €
Deferred variable compensation (annual pro-quota max. 1/3 of 120% of the RAL equalling 40%)	152,000 €
Total	716,305 €

In relation to non-monetary benefits, in addition to the insurance policies outlined previously in "paragraph 6.01", a company car is available for business and personal use.

7 Compensation

7.01 Resignation, lay-off or termination of the employment relationship

With the renewal of the Board of Directors in 2017, a clause was inserted for Executive Directors establishing that, in case of removal from office (except for cases of just cause), he or she will be paid an amount, as compensation for damages, comprehensive of any other claim, equal to the sum he or she would have received as remuneration, pursuant to art. 2389 of the Civil Code in the amount of 18 monthly salaries.

As far as Executive Directors with a managerial contract are concerned, termination compensation includes the notice required by the national labour contract.

7.02 Claw-back clause

With the renewal of the Board of Directors that took place in 2017, the claw-back clause was inserted that establishes ex-post corrective mechanisms for the Executive Directors' remuneration system.

This clause entails the obligation to return already paid-out variable components of remuneration (or to withhold sums subject to deferral) determined on the basis of data that subsequently proved to be incorrect, and is effective from the date of appointment throughout the entire duration of the term; the request to return funds can be made once the relevant assessments have been completed, within three years of disbursement in relation to the year in which the instance occurred.

8 Board of Statutory Auditors remuneration

8.01 Board of Statutory Auditors composition

The Hera Spa Board of Statutory Auditors, appointed by the Shareholders' Meeting of 29 April 2020, is composed of Myriam Amato, Chairman, Marianna Girolomini and Antonio Gaiani, standing auditors, and Valeria Bortolotti and Stefano Gnocchi, alternate auditors.

From the date of appointment to that of this report, there have been no changes in the composition of the body.

8.02 Remuneration allocated to the Board of Statutory Auditors

After the appointment of the Statutory Auditors, the shareholders' meeting of 29 April 2020 established that their remuneration is determined for each financial year at a flat rate of 280 thousand euro, of which 120 thousand euro for the Chairman and 80 thousand euro for each standing member, in addition to the reimbursement of documented expenses and legal fees.

Office	2017 compensation	2018 compensation	2019 compensation	2020 compensation
Chairman	120,000 €	120,000 €	120,000 €	120,000 €
Standing Auditors	80,000 €	80,000 €	80,000 €	80,000 €
Alternate Auditors	----	----	----	----

In accordance with the provisions of the current Corporate Governance Code, Article 5 - recommendation 30, the remuneration of the Statutory Auditors is believed to be commensurate with the know-how, professionalism and commitment required and the significance of the role held, as well as the size and sectorial characteristics of the Company.

SECTION II - REMUNERATION COMPONENTS

Introduction

“Section II” of this report outlines the items that make up the remuneration of members of the administrative and control bodies, as well as the Operations General Manager, with the aim of highlighting the consistency with the General Policy described in “Section I”. Pursuant to Article 123-ter of TUF, amended by Legislative Decree 49/2019, the Shareholders’ Meeting is called to resolve on this “Section II”.

With reference to the policies for directors’ remuneration, it should be noted that, with respect to the positions held by the directors (excluding the Chairman, Chief Executive Officer and Vice Chairman) in the Group companies, in the Remuneration Committee, Risks and Controls Committee and Ethics and Sustainability Committee, well as the Executive Committee, the directors involved are awarded a total salary of gross 20,000 euro per year to be added to the remuneration established by the Shareholders’ Meeting in the amount of 40,000 euro.

PART ONE

9 Description of the compensation paid to Directors and Operations General Manager

The following section indicates the values of the individual components of remuneration for the year 2020 either paid or to be paid for results achieved in the same year, as well as the remuneration actually paid in the year 2020, in relation to the degree of achievement of the targets set in the previous year.

9.01 Executive Chairman

The fixed compensation paid to Mr. Tomaso Tommasi di Vignano is composed exclusively of wages associated with his relationship as director. The aforementioned compensations also include all services and offices held in the Group’s subsidiary and associate companies. Note that during 2020 he received a monetary bonus based on the results of the previous year, equal to 167.960 euro, following the achievement of an overall performance index of 110.5%. With reference to the 2019 welfare plan, he also accrued the right to an additional bonus of 6,384 euro that may be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 70%.

Furthermore, with reference to the short-term monetary bonus accrued in 2020 (to be paid in 2021), a gross amount of 162,260 euro was recorded, following the achievement of an overall performance index of 106.8%.

With reference to the 2020 welfare plan (to be paid in 2021), he also accrued the right to an additional bonus of 4,104 euro that may be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 45%.

Finally, with reference to the annual pro-quota for the deferred variable remuneration for management retention, a gross amount of 152,000 euros was accrued in relation to 2020, assuming that 100% of the targets at the end of the three-year period are achieved by 2022.

9.02 Chief Executive Officer

The fixed compensation paid to Mr. Stefano Venier is composed exclusively of gross annual remuneration as a Group executive and also includes all services/offices held in the Hera Group’s subsidiary and associate companies.

In 2020, fixed remuneration amounted to 386,626 euro gross, including seniority bonuses and benefits accrued as a Group executive.

Note that during 2020 he received, as short-term variable remuneration, a monetary bonus based on the results of the previous year, equal to 168,702 euro gross, following the achievement of an overall performance index of 110.5%.

With reference to the 2019 Social Incentive Plan, he also accrued the right to an additional bonus of 6,412 euro that may be spent on the services included in the existing corporate welfare plan, following

the achievement of an overall performance index equal to 70%, to be added to the 385 euro accrued under the corporate welfare plan by virtue of his position as a Group executive.

Furthermore, with reference to the short-term monetary bonus accrued in 2020 (to be paid in 2021), a gross amount of 163,693 euro gross was recorded, following the achievement of an overall performance index of 106.8%.

With reference to the 2020 welfare plan (to be paid in 2021), he also accrued the right to an additional bonus of 4,140 euro that may be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 45%.

With reference to the annual pro-quota for the deferred variable remuneration for management retention, a gross amount of 152,000 euros was accrued in relation to 2020, assuming that 100% of the targets at the end of the three-year period are achieved by 2021.

Finally, in relation to the energy partnership operation between the Hera Group and the Ascopiave Group, the Board of Directors, on the recommendation of the Remuneration Committee, in its meeting of 19 February 2020, resolved to allocate a bonus to the Chief Executive Officer equal to 600 thousand euro gross of which 400 thousand euro gross already paid in April 2020 and 200 thousand euro gross paid in January 2021.

The operation contributed significantly to the growth in results, allowing the Group to confirm its long track record of uninterrupted EBITDA growth, fully offsetting the negative impact of the health emergency. The acquisition, coveted by the major Italian and foreign players, was successfully completed and resulted in a significant amount of synergies already extracted in the first year of integration, anticipating the value creation expected in the following years with a 24% growth in EBITDA (+9 million euro) higher than expected in 2020.

9.03 Vice Chairman

For holding the office of Vice Chairman which he held until the renewal of the body on 29 April 2020, Mr. Giovanni Basile was paid the pro-rata fixed annual gross remuneration of 85,000 euro, established as remuneration for the office at the time he was appointed in 2017.

At 29 April 2020, Mr. Gabriele Giacobazzi was appointed to the position of Vice Chairman, who was paid, similarly to his predecessor, the pro-rata fixed annual gross remuneration of 85,000 euro, which the administrative body established, confirming the amount, on 24 June 2020, effective from 29 April 2020.

9.04 Non-executive Directors

Until 29 April 2020, when the entire body of the company was renewed, Francesca Fiore, Giorgia Gagliardi, Massimo Giusti, Sara Lorenzon, Alessandro Melcarne, Stefano Manara, Danilo Manfredi, Erwin P.W. Rauhe, Duccio Regoli, Federica Seganti, Marina Vignola e Giovanni Xilo, non-executive directors of the company, in proportion to the period in which they held office, received fixed remuneration for holding the position of director and additional compensation for participating in committees or in the boards of subsidiary or associated companies, as laid out by the remuneration policy of the Group.

Following the renewal of the entire Board of Directors and their appointment as non-executive directors of the Company, and therefore with effect from 29 April 2020, Fabio Bacchilega, Danilo Manfredi, Alessandro Melcarne, Lorenzo Minganti, Monica Mondardini, Erwin P.W. Rauhe, Manuela Cecilia Rescazzi, Paola Gina Maria Schwizer, Federica Seganti, Bruno Tani, Alice Vatta and Marina Vignola, by analogy with directors no longer in office and in proportion to the period in which they held the position, received fixed remuneration for holding the position of director and additional compensation, effective from 1 May 2020, for participating in committees or in the boards of subsidiary or associated companies, as laid out by the remuneration policy of the Group.

9.05 General Manager

The Operations General Manager, Mr. Roberto Barilli, received compensation of 365,215 euro in the form of gross annual remuneration. Note that during 2020 he received short-term variable remuneration (BSC) with regard to the results achieved in the previous year, equal to 99,065 euro gross, following the achievement of an individual performance index of 99% and a Group performance index of 110.5%.

With reference to the 2019 welfare plan, paid in 2020, he also accrued the right to a bonus of 3,803 euro that can be spent on the services included in the existing corporate welfare plan, following the achievement of an overall performance index equal to 70%, to be added to the 385 euro accrued under the corporate welfare plan by virtue of his position as a Group executive. He furthermore received a non-recurring allowance of 20,000 euro gross.

In relation to the termination of the employment relationship of the Operations General Manager and the consequent elimination of the office, a one-off sum of 250,000 euro gross was paid by way of notice indemnity to cover the year 2021. Furthermore, with reference to the short-term monetary bonus accrued in 2020 (to be paid in 2021), a gross amount of 112,577 euro gross was recorded, following the achievement of an individual performance index of 97% and a Group's performance index of 106.8%.

The Operations General Manager maintained, without receiving any remuneration, and until the approval of the 2020 financial statements, the position of Chairman of the companies Heratech Srl and Inrete Distribuzione Energia Spa; he is also a director of H.E.P.T. Co. Ltd, an Italian-Chinese joint venture.

9.06 Statutory Auditors

The members of the Board of Statutory Auditors received a fixed fee for the office of auditor as determined by the Shareholders' Meeting.

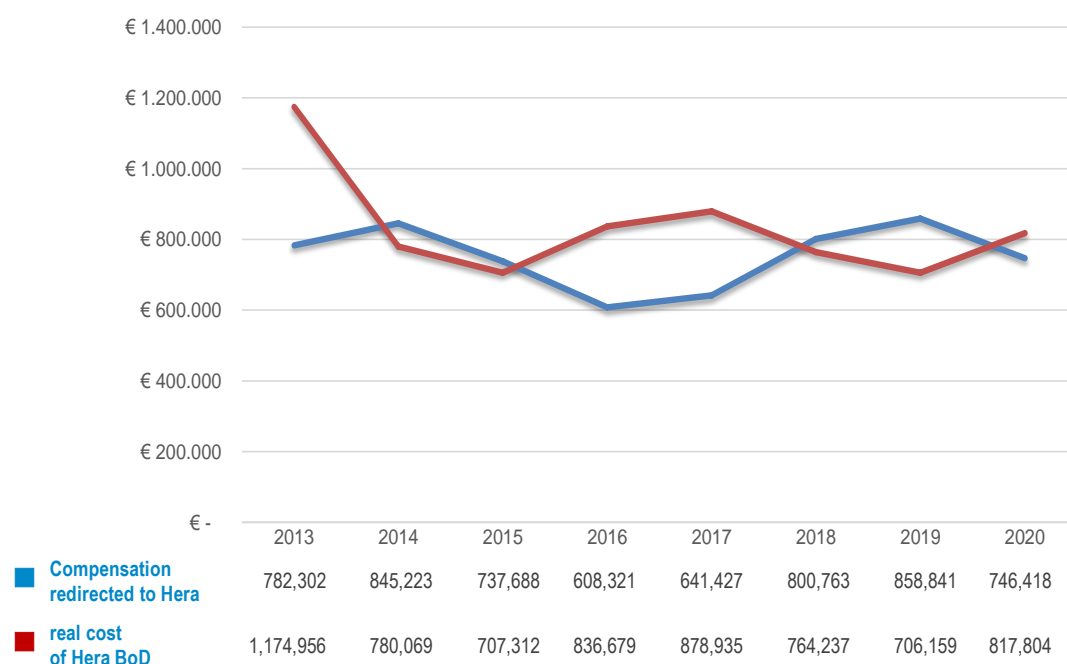
9.07 Compensation received in Group companies

Remuneration for the Executive Directors, Directors, Operations General Manager and Executives for positions held in Group company structures and/or committees, are redirected in their entirety to Hera Spa. The total redirected to the Parent Company for the year 2020 was 746,418 euro.

The cost of the Hera Spa Board of Directors for the year 2020 was 817,804 euro, net of net of compensation amounting to 746,418 euro (for a gross total amount of 1,564,222 euro) received by Hera for the participation of directors/executives in the administrative bodies of its affiliates.

The trend of a reduction in the actual cost of the Board of Directors thus continued, and for 2019 is a result of the increase in fees collected by Hera for the participation of directors/executives in the corporate bodies of its affiliates, without prejudice to the compensation paid to the directors of the Parent Company.

Cost of the Hera Spa BoD



9.08 Information for comparison

Comparative figures for 2020 and the previous year are provided below showing the annual changes in:

- total remuneration of each of the persons for whom the information is provided by name;
- Company results;
- average gross annual remuneration based on full-time employees, of employees other than those whose remuneration is shown by name.

Executive Chairman

Remuneration component	2019	2020
Fixed compensation	380,000	380,000
Short-term variable remuneration	167,960	162,260
Deferred variable remuneration for retaining managers	0	152,000
Welfare plan	6,384	4,104

data expressed in euro units

Chief Executive Officer

Remuneration component	2019	2020
Fixed compensation	383,937	386,626
Short-term variable remuneration	168,702	163,693
Deferred variable remuneration for retaining managers	126,667	152,000
Welfare plan	6,412	4,140
Additional extraordinary monetary compensation	0	600,000

data expressed in euro units

Operations General Manager

Remuneration component	2019	2020
Fixed compensation	358,506	365,215
Short-term variable remuneration	99,065	112,577
Deferred variable remuneration for retaining managers	126,667	152,000
Welfare plan	3,803	0
Additional extraordinary monetary compensation	0	20,000

data expressed in euro units

Non-executive directors appointed by the Shareholders' Meeting of 29 April 2020

	2019	2020
Vice Chairman - Giacobazzi Gabriele *	-	68
Bacchilega Fabio *	-	40
Manfredi Danilo	60	60
Melcarne Alessandro	60	60
Minganti Lorenzo *	-	41
Mondardini Monica *	-	40
Rauhe Erwin P.W.	61	61
Rescazzi Manuela Cecilia *	-	41
Schwizer Paola Gina Maria *	-	41
Seganti Federica	60	60
Tani Bruno *	-	42
Vatta Alice *	-	40
Vignola Marina	60	60

data expressed in thousands of euro

* Newly appointed Directors

Non-executive Directors no longer in office in 2020

	2019	2020
Vice Chairman - Basile Giovanni	89	29
Fiore Francesca	60	20
Gagliardi Giorgia	60	20
Giusti Massimo	61	20
Lorenzon Sara	60	20
Manara Stefano	61	20
Regoli Duccio	61	20
Xilo Giovanni	61	20

data expressed in thousands of euro

Gross annual remuneration based of Hera Group's full-time employees

	2019	2020
Employees' average remuneration	40	40

data expressed in thousands of euro

Company results

The following table shows the trend of the Group's main results considered to be most relevant for assessing management performance

	2019	2020	Chan. perc.
Revenues	6,912.8	7,079.0	+2.40%
EBITDA	1,085.1	1,123.0	+3.49%
Operating revenues	542.5	551.3	+1.62%
Net income after minorities*	300.8	302.7	+0.63%
Net financial liabilities	3,274.2	3,227.0	(1.4%)
Financial leverage (Net debt/EBITDA)	3,02x	2,87x	

data expressed in millions of euro

*Figure excludes extraordinary earnings

Bologna, 24 March 2021

The Chairman of the Board of Directors
(Tomaso Tommasi di Vignano)

PART TWO

TABLE 1: Compensation paid to members of administrative and control bodies, General Managers and other management with strategic responsibilities

Administrative body

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Allowance for end of term or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Tomaso Tommasi di Vignano	Executive Chairman	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				380,000		314,260		9,635	1,795	705,690		
(II) Compensation from subsidiaries and associated companies												
(III) Total				380,000		314,260		9,635	1,795	705,690		
						Of which 162,260 related to the short-term variable component accruing in 2020 and 152,000 related to the deferred variable component for management retention, assuming 100% achievement of the targets at the end of the three- year period in 2022		Of which 5,531 related to car and insurance benefits and 4,104 related to the welfare plan for 2020				
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Allowance for end of term or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Stefano Venier	Chief Executive Officer	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				386,626		315,693		26,088	602,183	1,330,590		
(II) Compensation from subsidiaries and associated companies												
(III) Total				386,626		315,693		26,088	602,183	1,330,590		
				Including 3,228 in seniority increments and 3,398 in unused vacation days		Of which 163,693 related to the short-term variable component accruing in 2020 and 152,000 related to the deferred variable component for management retention, assuming 100% achievement of the targets at the end of the three-year period in 2022		Of which 21,948 related to car benefits, accommodation, insurance and welfare and 4,140 related to the welfare plan for 2020	It includes 600,000 of UT (of which 200,000 paid in January 2021)			
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Gabriele Giacobazzi	Vice Chairman	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				57,139				11,196		68,335		
(II) Compensation from subsidiaries and associated companies												
(III) Total				57,139				11,196		68,335		
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Fabio Bacchilega	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889	13,333			261		40,483		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,889	13,333			261		40,483		
Notes					Effective from 1 May 20 (I) as a member of the Remuneration Committee and (II) for positions held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Danilo Manfredi	Director	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				40,000				415		40,415		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				415		60,415		
Notes				(II) for offices held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Alessandro Melcarne	Director	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				40,000	20,000			305		60,305		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			305		60,305		
Notes				(I) as a member of the Executive Committee and (II) for positions held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Lorenzo Minganti	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889	13,333			297		40,519		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,889	13,333			297		40,519		
Notes				Effective from 1 May 20 (I) as a member of the Risk and Control Committee and (II) for positions held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Monica Mondardini	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889	13,333			159		40,381		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,889	13,333			159		40,381		
Notes				1 May 20 (I) as a member of the Remuneration Committee and (II) for position held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Erwin P.W.Rauhe	Director	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				40,000	20,000			1,004		61,004		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			1,004		61,004		
Notes					(I) as a member of the Risk and Control Committee and (II) for position held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Manuela Cecilia Rescazzi	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889				655		27,544		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				40,222				655		40,877		
Notes				Effective from 1 May 20 (II) for offices held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Paola Gina Maria Schwizer	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889	13,333			350		40,572		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,889	13,333			350		40,572		
Notes					Effective from 1 May 20 (I) as a member of the Risk and Control Committee and (II) for positions held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Federica Seganti	Director	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				40,000	20,000			499		60,499		
(II) Compensation from subsidiaries and associated companies												
(III) Total				40,000	20,000			499		60,499		
Notes					(I) as a member of the Ethics and Sustainability Committee and (II) for position held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Bruno Tani	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889				1,476		28,365		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				40,222				1,476		41,698		
Notes				Effective from 1 May 20 (II) for offices held in Group companies								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Alice Vatta	Director	29 Apr 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				26,889	13,333			239		40,461		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,889	13,333			239		40,461		
Notes				Effective from 1 May 20 (I) as a member of the Remuneration Committee and of the Ethics and Sustainability committee								

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Marina Vignola	Director	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				40,000				417		40,417		
(II) Compensation from subsidiaries and associated companies				20,000						20,000		
(III) Total				60,000				417		60,417		
Notes				(II) for offices held in Group companies								

Directors no longer in office

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Giovanni Basile	Vice Chairman	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				27,861				1,479		29,340		
(II) Compensation from subsidiaries and associated companies												
(III) Total				27,861				1,479		29,340		
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Francesca Fiore	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111	6,556			163		19,830		
(II) Compensation from subsidiaries and associated companies												
(III) Total				13,111	6,556			163		19,830		
Notes					Until 29 Apr 20 (I) as a member of the Remuneration Committee and (II) for position held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Giorgia Gagliardi	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111				100		13,211		
(II) Compensation from subsidiaries and associated companies				6,556						6,556		
(III) Total				19,667				100		19,767		
Notes					Until 29 Apr 20 (II) for offices held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Massimo Giusti	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111	6,556			189		19,856		
(II) Compensation from subsidiaries and associated companies												
(III) Total				13,111	6,556			189		19,856		
Notes					Until 29 Apr 20 (I) as a member of the Remuneration Committee and of the Ethics and Sustainability committee							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Sara Lorenzon	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111	6,556			100		19,767		
(II) Compensation from subsidiaries and associated companies												
(III) Total				13,111	6,556			100		19,767		
Notes					Until 29 Apr 20 (I) as a member of the Risk and Control Committee and (II) for positions held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Stefano Manara	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111	6,556			179		19,846		
(II) Compensation from subsidiaries and associated companies												
(III) Total				13,111	6,556			179		19,846		
Notes					Until 29 Apr 20 (I) as a member of the Remuneration Committee and (II) for position held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Duccio Regoli	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111	6,556			274		19,941		
(II) Compensation from subsidiaries and associated companies												
(III) Total				13,111	6,556			274		19,941		
Notes					Until 29 Apr 20 (I) as a member of the Risk and Control Committee and (II) for positions held in Group companies							

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Giovanni Xilo	Director	1 Jan 20 29 Apr 20	Annual financial statement approval at 31 Dec 19									
(I) Compensation from the company preparing the financial statements				13,111				275		13,386		
(II) Compensation from subsidiaries and associated companies				6,556						6,556		
(III) Total				19,667				275		19,942		
Notes					Until 29 Apr 20 (II) for offices held in Group companies							

Control body

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Myriam Amato	Chairman of the Board of Statutory Auditors	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				120,000				353		120,353		
(II) Compensation from subsidiaries and associated companies				133,482						133,482		
(III) Total				253,482				353		253,835		
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Marianna Girolomini	Standing Auditor	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				80,000				496		80,496		
(II) Compensation from subsidiaries and associated companies				80,314						80,314		
(III) Total				160,314				496		160,810		
Notes												

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	Standing Auditor	1 Jan 20 31 Dec 20	Annual financial statement approval at 31 Dec 22									
(I) Compensation from the company preparing the financial statements				80,000				497		80,497		
(II) Compensation from subsidiaries and associated companies				81,827						81,827		
(III) Total				161,827				497		162,324		
Notes												

General Managers

First and Last name	Office	Period in which office was held	Expiry of mandate	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Compensation for end of mandate or end of employment relationship
						Bonuses and other incentives	Profit sharing					
Roberto Barilli	Operations General Manager	1 Jan 20 31 Dec 20	Resigned 01 Jan 21									
(I) Compensation from the company preparing the financial statements				365,215		112,577		18,660	22,259	518,711		250,000
(II) Compensation from subsidiaries and associated companies												
(III) Total				365,215		112,577		18,660	22,259	518,711		250,000
Notes				It includes 2,985 in unused vacation days		Short-term variable remuneration for 2020		car benefits, insurance and welfare	It includes a one-time payment of 20,000			Notice allowance to cover the year 2021

Table 3B: Monetary incentive plans for members of the administrative body, General Managers and other management with strategic responsibilities

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years		Other Bonuses
Tomaso Tommasi di Vignano	Executive Chairman		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment period	No longer payable	Payable / Paid	Still deferred	
Compensation in the company preparing the financial statements		Balanced scorecard system (related approval date)	162,260						
		Deferred variable for management retention (related approval date)		152,000	2020-2022				
		Plan C (related approval date)							
Compensation from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			162,260	152,000					

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years		Other Bonuses
Stefano Venier	Chief Executive Officer		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment period	No longer payable	Payable / Paid	Still deferred	
Compensation in the company preparing the financial statements		Balanced scorecard system (related approval date)	163,693						
		Deferred variable for management retention (related approval date)		152,000	2019-2021				
		Plan C (related approval date)							
Compensation from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			163,693	152,000					

First and Last name	Office	Plan	Bonus for the year				Bonus for previous years		Other Bonuses
Roberto Barilli	Operations General Manager		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment period	No longer payable	Payable / Paid	Still deferred	
Compensation in the company preparing the financial statements		Balanced scorecard system (related approval date)	112,577						
		Plan B (related approval date)							
		Plan C (related approval date)							
		Plan A (related approval date)							
Compensation from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			112,577						

Stake holdings by members of administrative and control bodies and General Managers

First and Last name	Offices in Hera Spa	Affiliated companies	No. of shares held at the end of the preceeding financial year or at the date of appointment	No. of shares purchased	No. of shares sold	No. of shares held at the end of the current financial year or at end date
Tomaso Tommasi di Vignano (1)	Executive Chairman	Hera Spa	31,764	-	-	31,764
Stefano Venier	Chief Executive Officer	Hera Spa	-	-	-	-
Gabriele Giacobazzi (from 29 Apr 20)	Vice Chairman	Hera Spa	-	-	-	-
Fabio Bacchilega (from 29 Apr 20)	director	Hera Spa	-	-	-	-
Danilo Manfredi	director	Hera Spa	-	-	-	-
Alessandro Melcarne	director	Hera Spa	-	-	-	-
Lorenzo Minganti (from 29 Apr 20)	director	Hera Spa	-	6,700	-	6,700
Monica Mondardini (from 29 Apr 20)	director	Hera Spa	-	-	-	-
Erwin P.W. Rauhe (2)	director	Hera Spa	5,000	-	-	5,000
Manuela Cecilia Rescazzi (from 29 Apr 20)	director	Hera Spa	-	-	-	-
Paola Gina Maria Schwizer (from 29 Apr 20)	director	Hera Spa	-	-	-	-
Federica Seganti	director	Hera Spa	-	-	-	-
Bruno Tani (from 29 Apr 20)	director	Hera Spa	170,000	-	-	170,000
Alice Vatta (from 29 Apr 20)	director	Hera Spa	-	-	-	-
Marina Vignola	director	Hera Spa	-	-	-	-
Giovanni Basile (until 29 Apr 20)	Vice Chairman	Hera Spa	-	-	-	-
Francesca Fiore (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Giorgia Gagliardi (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Massimo Giusti (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Sara Lorenzon (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Stefano Manara (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Duccio Regoli (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Giovanni Xilo (until 29 Apr 20)	director	Hera Spa	-	-	-	-
Myriam Amato	Chairman of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Antonio Gaiani	member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Marianna Girolomini	member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Roberto Barilli	General Manager Operations	Hera Spa	-	-	-	-

(1) indirect ownership, through spouse

(2) ownership through subsidiaries, trust companies or third parties

Proposed resolutions

Dear shareholders,

- “Section I” of the report on remuneration policy and compensation paid, drafted in accordance with the provisions of Article 5 of the Code of Corporate Governance, adopted by Hera Spa through resolution of 11 November 2020, as well as with Article 123-ter of Legislative Decree no. 58/1998 (hereafter “TUF”) and Article 84-quater of the regulation implementing the TUF adopted by Consob with resolution 11971 of 14 May 1999 (hereinafter the “Issuers’ Regulation”) and amended by Consob with resolution 21623 of 10 December 2020, describes and illustrates the policy proposed by the Company concerning remuneration, as well as the procedures used to adopt and implement this policy.

In view of the above, pursuant to Article 123-ter of the TUF, the meeting is called on to decide on “Section I” of this Remuneration Report, with binding resolution.

For detailed information on the subject of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 24 March 2021 and made available to the public in accordance with the law.

We therefore invite you, in view of the above, to adopt the following resolution:

“The shareholders’ meeting of Hera Spa, in keeping with current legislation in this area,

resolves

to approve “Section I” of the Hera Group report on remuneration policies and compensation paid”.

- “Section II” of the report on remuneration policy and compensation paid, drafted in accordance with the provisions of Article 5 of the Code of Corporate Governance, adopted by Hera Spa through resolution of 11 November 2020, as well as with Article 123-ter of Legislative Decree no. 58/1998 (hereafter “TUF”) and Article 84-quater of the regulation implementing the TUF adopted by Consob with resolution 11971 of 14 May 1999 (hereinafter the “Issuers’ Regulation”) and amended by Consob with resolution 21623 of 10 December 2020, describes and illustrates in a clear and comprehensible manner the items comprising the remuneration paid to the members of the administration and control bodies and to the Operations General Manager.

In view of the above, pursuant to Article 123-ter paragraph 6 of the TUF, the meeting is called on to decide on “Section II” of this Remuneration Report, with non-binding resolution.

For detailed information on the subject of this resolution, please refer to the report on the remuneration policy and compensation paid, approved by the Board of Directors on 24 March 2021 and made available to the public in accordance with the law.

We therefore invite you, in view of the above, to adopt the following resolution:

“The Shareholders’ Meeting of Hera Spa, in accordance with current legislation, and having taken note of the elements comprising the remuneration of the members of the administrative and control bodies, as well as the Operations General Manager:

resolves

to approve “Section II” of the Hera Group report on remuneration policies and compensation paid”.

Hera Spa

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Share capital Euro 1.489.538.745 fully paid up
Tax code 04245520376 - VAT and Bologna Business Reg. no. 03819031208