



# 2020 CORPORATE GOVERNANCE REPORT



# SUMMARY

## CORPORATE GOVERNANCE REPORT

|    |  |    |
|----|--|----|
| 1  | ISSUER PROFILE   | 4  |
| 2  | INFORMATION ON THE OWNERSHIP STRUCTURE   | 5  |
|    | a) Share Capital Structure   |    |
|    | b) Restrictions on the transfer of securities  |    |
|    | c) Significant equity interests  |    |
|    | d) Shares that confer special rights   |    |
|    | e) Restrictions on voting rights   |    |
|    | f) Shareholders' agreements  |    |
|    | g) Mandates to increase share capital and authorisations to purchase treasury shares                         |    |
| 3  | COMPLIANCE   | 14 |
| 4  | BOARD OF DIRECTORS   | 15 |
|    | a) Appointment and substitution  |    |
|    | b) Composition   |    |
|    | c) Role of the Board of Directors  |    |
|    | d) Delegated bodies  |    |
|    | e) Executive Committee   |    |
|    | f) Independent directors   |    |
| 5  | HANDLING OF CORPORATE INFORMATION  | 30 |
| 6  | COMMITTEES INSIDE THE BOARD  | 31 |
|    | a) Appointments Committee  |    |
|    | b) Remuneration Committee  |    |
|    | c) Controls and Risks Committee  |    |
|    | d) Ethics and Sustainability Committee   |    |
| 7  | INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM  | 34 |
|    | a) The risk management and internal control system in relation to the financial information process          |    |
|    | b) Administrator in charge of the internal control and risk management system                                |    |
|    | c) Internal auditing department manager  |    |
|    | d) Organisational model pursuant to Legislative Decree no. 231/2001  |    |
|    | e) Independent Auditors  |    |
|    | f) Appointed Manager in charge of drafting corporate financial reports and other corporate roles and         |    |
|    | g) Coordination among the subjects involved in the internal control and risk management system               |    |
| 8  | THE INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES   | 40 |
| 9  | APPOINTMENT OF THE STATUTORY AUDITORS  | 42 |
| 10 | RELATIONS WITH SHAREHOLDERS  | 45 |
| 11 | MEETINGS   | 46 |
| 12 | CONSIDERATIONS REGARDING THE 22 DECEMBER 2020 LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE | 47 |
|    | TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES  | 48 |
|    | TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS  | 49 |
|    | TABLE 3: POSITIONS THE DIRECTORS HOLD IN OTHER COMPANIES   | 49 |



# CORPORATE GOVERNANCE REPORT



# CORPORATE GOVERNANCE REPORT

## 1 Issuer profile

The Hera Group was born in 2002 out of the integration of 11 Emilia-Romagna public service companies, and in the subsequent years continued its territorial growth in order to expand its core business, in particular through the subsequent merger of important companies (Agea Spa, Meta Spa, Sat Spa, Acegas Aps Spa and Amga Azienda Multiservizi Spa), and most recently through its partnership with Ascopiave Spa in the commercial energy sector.

Hera is one of the leading Italian multi-utilities in the environmental services, water, gas and electricity businesses, with more than 9,000 employees counting both open-ended and fixed-term contracts. The Company, the majority of whose share capital is owned by the state, has been listed on the Mercato Telematico of Borsa Italiana S.p.A. since 26 June 2003 and operates mainly in the Emilia Romagna region in the territories of Bologna, Ravenna, Rimini, Forlì, Cesena, Ferrara, Modena, and Imola as well as the Veneto, Friuli-Venezia Giulia, Marche and Abruzzo Regions. Hera is an Issuer that uses the traditional governance system and its organizational structure is versatile and capable of adapting to an economic, business and regulatory, technological, environmental and human capital context that is increasingly volatile and affected by significant changes.

The Hera Group's entrepreneurial and organizational model, unique in this sector, makes it possible to combine strong territorial roots with the need to grow in size, in order to offer increasingly efficient services while remaining open to new partners. Since its inception, Hera has developed a trajectory of growth both organic and along external lines.

Its development strategy entails actions to support organic growth in the businesses already served, but also consolidation and acquisition operations to expand the current perimeter of operations, maintaining the Group's solid financial structure in the context of a shared industrial vision.

On the internal front, Hera addresses all possible opportunities for developing activities in its businesses, leveraging innovation, efficiency and excellence.

The strategy for external lines of growth is based on three cornerstones:

- mergers and consolidation with other multi-utility companies, activities in which the Group has a long and successful track record;
- the acquisition of companies in the individual supply chains it serves, with the aim of accelerating the growth of its customer base and supplementing its facilities-industrial structure;
- participation in tenders for awarding concessions for the provision of regulated services.

Over the years, the Hera Group has, however, implemented a plan to rationalise its shareholdings, reducing their number significantly and more effectively merging the various companies by business area and geographical contiguity.

Hera is also committed to acting every day to enhance the experience and develop the skills of its employees, and to promote cooperation and the exchange of knowledge, so that work is a source of satisfaction and pride for everyone involved as well as an important factor for the success of the company.

Hera's goal is to become the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovating and forging strong links with the areas in which it operates, while respecting the local environment.

As early as 2003, Hera included Corporate Social Responsibility in its strategy, a concept which has since evolved into the broader perspective of shared value, understood as a tool for increasing competitiveness and a key factor for achieving sustainable development, in keeping with the guidelines identified by the United Nations. The Mission and Values outline the guidelines for corporate behaviour already contained in the Code of Ethics and shape every action taken by and relationship maintained by the Group. Mission, values and shared conduct represent the strategic and cultural framework within which the industrial plan is formulated, results are reported transparently through the Sustainability Report, and economic planning is defined on an annual basis.

Hera grants special attention to dialoguing with its stakeholders and the local area in which it operates, consolidating positive results achieved in terms of creating value and demonstrating the Group's ability to grow despite the current complex economic conditions.



## 2 Information on the ownership structure (pursuant to Article 123-bis, paragraph 1, letter a) of the Consolidated Finance Act (TUF)) as at 24 March 2021

### a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) of the TUF)

The share capital is Euro1,489,538,745, fully subscribed and paid-up, and consists of 1,489,538,745 ordinary shares with a par value of Euro1 each.

#### Share Capital Structure

| Type            | no. of shares | % of share capital | Listed                | Rights and obligations   |
|-----------------|---------------|--------------------|-----------------------|--|
| Ordinary shares | 1,489,538,745 | 100.0%             | MTA<br>Italian Bourse | Ordinary shares grant their holders the property and administrative rights stipulated by law |

### b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) of the TUF)

Article 7 of Hera's Articles of Association stipulate that the majority of voting rights in the company be held by Municipalities, Provinces and Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or by other Public Authorities, or consortiums or joint-stock companies including Municipalities, Provinces or Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or other Public Authorities hold, even indirectly, the majority of the share capital. Article 8.1 of the Articles of Association prohibits the holding of more than 5% of the company's share capital by any shareholder other than those indicated above.

### c) Significant equity interests (pursuant to Article 123-bis, paragraph 1, letter c) of the TUF)

The parties that directly or indirectly hold more than 3% of the share capital of the Company represented by shares with voting rights, are as follows, based on communications made pursuant to article 120 of the TUF, as well as any other data in the possession of the Company.

| Declarer                       | Direct shareholder             | % of the share capital | % of the voting share capital |
|--------------------------------|--------------------------------|------------------------|-------------------------------|
| Municipality of Bologna        | Municipality of Bologna        | 8.402%                 | 8.402%                        |
| Municipality of Imola          | CON.AMI                        | 7.293%                 | 7.293%                        |
| Municipality of Modena         | Municipality of Modena         | 6.519%                 | 6.519%                        |
| Municipality of Ravenna        | Ravenna Holding Spa            | 4.981%                 | 4.981%                        |
| Lazard Asset Management L.L.C. | Lazard Asset Management L.L.C. | 4.581%                 | 4.581%                        |
| Municipality of Trieste        | Municipality of Trieste        | 3.731%                 | 3.731%                        |
| Municipality of Padua          | Municipality of Padua          | 3.097%                 | 3.097%                        |

It should be noted that, with Resolution 21326 of 9 April 2020, Consob introduced, pursuant to Article 120, paragraph 2-bis of the TUF, for a period of time of three months starting from 11 April 2020, the additional threshold of 1% upon exceeding which it becomes obligatory to notify the investee company and Consob, as already provided for by Article 120, paragraph 2 of the TUF.

Consob, with subsequent and further resolutions, confirmed the provisions of the above resolution and, lastly, with resolution 21672 of January 13, 2021, extended the deadline for a further three months, from January 14 to April 13, 2021, unless revoked earlier.

Therefore, to the best of the Company's knowledge, following the communications received as well as other data available to it, the additional parties that appear to hold, directly or indirectly, more than 1% of the Company's share capital represented by shares with voting rights are as follows:

- Municipality of Udine (2.963%)
- Micaela Dionigi – through Gruppo Società Gas Rimini Spa (2.066%)
- Municipality of Ferrara – both directly and through Holding Ferrara Servizi Srl (1.715%)

- Predica – asset management company (1.633%)
- Pictet (1.560%)
- Morgan Stanley & Co International PLC (1.531%)
- Fondazione Cassa di Risparmio di Forlì (1.445%)
- Municipality of Rimini – through Rimini Holding Spa (1.242%)
- Livia Tellus Romagna Holding Spa (1.206%)
- Bank of Italy (1.200%)
- Municipality of Cesena (1.122%)
- Hera Spa – treasury shares (2.163%)

**d) Shares that confer special rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)**

The shareholder's meeting of 28 April 2015 authorized, pursuant to the limits established by Article 6 of the institute's Articles of Association, an increased vote, whereby individuals who are registered for a continuous period of at least 24 months in the special list established beginning in 1 June 2015 will be entitled, for every share they hold, to two votes in shareholders' deliberations regarding: i) the amendment of Articles 6.4 and/or 8 of the Articles of Association, ii) the appointment and / or revocation of the Board or its members, iii) the appointment and / or revocation of the Board of Statutory Auditors or its members.

On 13 May 2015, Hera's Board of Directors in order to define the criteria and procedures for keeping the special list, approved the special list regulations for eligibility for increased voting rights, in implementation of the provisions of applicable law and Hera's Articles of Association.

**e) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)**

Article 8.6 of the Articles of Association stipulates that the voting rights of parties other than public authorities who hold more than 5% of the share capital will be limited to an overall maximum of 5%.

**f) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) of the TUF)**

In accordance with Article 122 of the TUF, the following shareholders' agreement are in effect:

- First-level Shareholders' Agreement, between 111 public shareholders, concerning the procedures for exercising voting rights and the transfer of the shareholdings held in Hera by members, signed on 26 June 2018, with a duration of three years, from 1 July 2018 to 30 June 2021, already being renewed in view of the expiry date;
- Second level Shareholders' Agreement between 32 public shareholders of Hera belonging to the Bologna area, concerning the rules governing the exercise of voting rights, the transfer of the shares held in Hera by members, as well as the appointment of the members of the Board of Directors, stipulated on 26 June 2018 and taking effect at 1 July 2018, with a duration until 30 June 2021, already being renewed in view of the expiry date;
- Second level Shareholders' Agreement between 20 public shareholders of Hera belonging to the Modena area, concerning the rules governing the exercise of voting rights, the transfer of the shares held in Hera by members, as well as the appointment of the members of the Board of Directors, stipulated on 26 June 2018 and taking effect on 1 July 2018, with a duration until 30 June 2021; already being renewed in view of the expiry date;
- Sub-agreement between the municipalities of Padua and Trieste, having as its object the constitution of a consultation and voting syndicate functional for the realization of some provisions regarding the corporate governance of Hera in implementation of the provisions of the first level Shareholders' Agreement, stipulated on 26 June 2018 and with a duration of three years starting from the signing date; already being renewed in view of the expiry date.

The main identifying elements of the aforementioned Agreements, which can be found in the "Governance" section of the company's website at [www.gruppohera.it](http://www.gruppohera.it), are provided below.

**1) First-level Shareholders' Agreement**

The Agreement concerns 685,316,738 shares conferred to the voting trust, corresponding to 46.00865% of the share capital of Hera, 1,360,632,593 voting rights conferred to the voting trust, corresponding to 60.65888% of the total voting rights making up the share capital and 572,267,488 blocked shares corresponding to 38.41911% of the share capital.

## Content and bodies of the Agreement

### Voting trust

In order to realize the decisions of the voting trust, the Parties have established a voting trust deliberative body (the Voting Trust Committee) composed as follows: a member designated by the Municipality of Bologna, to whom seven votes are assigned, a member designated by the minor shareholders of the Bologna area, to whom two votes are assigned, a member designated by Holding Ferrara Servizi Srl, to whom one vote is assigned, a member designated by Ravenna Holding Spa, to whom five votes are assigned, a member designated by CON.AMI, to whom six votes are assigned, one member designated by Rimini Holding Spa, to whom one vote is assigned, one member designated by the Municipality of Cesena, to whom one vote is assigned, one member designated by the shareholders of Modena, to whom six votes are assigned, one member designated by the Municipality of Padua, to whom three votes are assigned, one member designated by the Municipality of Trieste, to whom three votes are assigned, and one member designated by the Municipality of Udine, to whom two votes are assigned.

For the duration of the Agreement, the number of votes assigned to each principal shareholder through its committee member is allocated on the basis of one vote for each 1% of blocked shares held, rounded down if the surplus was less than 0.50%, or up if the surplus was equal to or greater than 0.50%, of the blocked shares. The percentage of blocked shares is calculated as follows:

$$\% \text{ shares blocked} = \frac{\text{number of shares blocked by main shareholder}}{\text{Hera share capital}} \times 100$$

The number of votes cast by each of the main members was verified at the opening of the first meeting of the Committee and definitively ascertained by the Chairman of the Committee.

The Voting Trust Committee remains in office until the end of the Agreement.

Decisions will be made through a yes-vote by at least 65% of the total votes assigned to the members of the Voting Trust Committee present at that meeting, except for decisions for which the Agreement requires a different majority.

The Voting Trust Committee will meet at least one day prior to:

- (i) any meeting of the shareholders that includes any of the following items on its agenda:
  - 1) liquidation of the Company;
  - 2) merger or division of the Company;
  - 3) changes in Articles 6 ("Shares and Increased voting rights"), 7 ("Public majority shareholding"), 8 ("Limits on shareholdings"), 14 ("Validity of Shareholders' Meetings and rights of veto") 17 ("Appointment of the Board of Directors"), 21 ("Validity of resolutions"), and 23.4 ("Exercise of powers - matters falling within the exclusive competence of the Board of Directors") of the Articles of Association.

The Parties undertake to ensure that their vote at the Shareholders' Meeting conforms to the resolutions adopted by the Voting Trust Committee and indicated in this section (i). In the event that a vote in favour of the resolution to be adopted pursuant to this Paragraph (i) is not reached in the Voting Trust Committee, every Party to the Agreement shall express a vote in the Shareholders' Meeting against the adoption of that resolution.

- (ii) any meeting of the Board of Directors that includes any of the following items on its agenda:
  - 1) the establishment of the Hera Executive Committee, whose powers will be determined by the Board of Directors. The Executive Committee will be composed of the Chairman, the CEO, the Vice-Chairman and a Director appointed jointly by the Municipality of Padua and the Municipality of Trieste;
  - 2) within the limits of the law and the Articles of Association, the appointment (i) of the Chairman of the Board of Directors, who will be appointed on recommendation by the Shareholders of the Romagna Territorial Area; (ii) of the Chief Executive Officer, who will be appointed on recommendation by the Shareholders of Bologna. The Shareholders of the Romagna Territorial Area and the Shareholders of Bologna will consult each other before proceeding to appoint the Chairman and the Chief Executive Officer; (iii) the Vice Chairman of the Board of Directors will

be appointed - within the limits of the law and the Articles of Association - from among the members indicated by the Municipality of Modena;

(iii) the deadline for the submission of the List of Directors and the List of Statutory Auditors.

The Voting Trust Committee shall meet: (i) at least once a year, by the date of the Hera Shareholders' Meeting convoked to approve the financial statements, in order to verify any plans for the sale of Hera Shares not subject to the voting trust blocking provided for by each Party; (ii) whenever one or more members of the same make a written request to the Chairman of the Voting Trust Committee.

In addition, the Voting Trust Committee will be responsible for:

- a) the collation and formation of the List of Directors. The number of members to be included in the List of Directors indicated by each group of contracting parties is allocated on the basis of one member designated for each 3% of shares blocked by that group of contracting parties, and therefore, the list of Directors will be composed as follows: three members designated by the Shareholders of Bologna and Municipality of Ferrara, also in the interest of the Shareholders of Ferrara; four members designated by the Shareholders of the Romagna Territorial Area; two members designated by the Municipality of Modena, also in the interest of the Shareholders of Modena; one member designated by the Municipality of Padua; and one member designated by the Municipality of Trieste;
- b) the collation and formation of the List of Statutory Auditors. The List of Statutory Auditors shall indicate as many candidates as there are members of the Board of Statutory Auditors, to be elected by the majority, and shall be determined according to the following procedures: a) the Shareholders of Bologna and the Municipality of Ferrara, also in the interest of the Shareholders of Ferrara, shall have the right to designate the candidates to be included in the second and third places on the list (one Statutory Auditor and one Alternate Auditor); b) the Shareholders of Romagna Territorial Area shall have the right to designate the candidate to be included in the first place on the list (one Statutory Auditor);
- c) the resolution to request the penalty by paid by the defaulting Party; the main shareholder accused of such a default will not be allowed to participate in the discussion and will not have the right to vote on the respective resolution;
- d) resolutions concerning the coordination and execution of plans to sell the shares as well as the related preparatory and consequent acts, with all the widest powers to implement them, also invested in the person of the Chairman individually or jointly with other members of the Voting Trust Committee, including, among other things, the power to carry out in the name and on behalf of the Selling Parties procedures for the selection of consultants, placement agents, trust companies and to identify, negotiate, sign and, if necessary, modify the relative contracts, commitments and mandates in the name and on behalf of the Selling Parties, as well as to implement them.

### **Stock Blocking Syndicate**

The Parties undertake and agree, for the entire duration of the Agreement, to not transfer the shares allocated to the Blocking Syndicate (the blocked shares). Under the terms of the Agreement, Transfer or To transfer refers to any legal transaction, even free of charge (including sale, donation, exchange, contribution to a company, forced sale, block sale, merger, demerger) that has the direct or indirect result of transferring to third parties ownership or bare ownership of the shares or investing third parties with real rights (pledge and usufruct) on the Shares in the event that the voting right belongs to the pledgee or usufructuary.

The Parties undertake to maintain on the list established by Hera in accordance with Article 6.4 of the Hera Articles of Association (the Special List) the number of blocked shares determined in each instance pursuant to the Agreement. The Parties may also register in the Special List a greater number of shares than the number of blocked shares.

The Agreement identifies the number of shares blocked for the entire duration of the Agreement with respect to each Party.

The Parties have agreed that, in any event, the total number of blocked shares may not be less than 38% of the share capital of Hera until the expiration of the Agreement. If the total number of blocked shares does not comply with the above mentioned indefectible condition, the Parties, for this purpose, grant the Chairman of the Committee a mandate to adjust, without delay and on the basis of a principle



of proportionality, the number of blocked shares. If the above condition is not satisfied due to the non-performance of a Party, the provisions relating to non-performance and penalties shall apply.

The contracting Parties will be free to transfer blocked shares to public shareholders (Municipalities, Consortiums established in accordance with Article 31 of Legislative Decree 267/2000, or to other Public Authorities, or consortiums or joint-stock companies of which Municipalities or Consortiums established in accordance with Article 31 of Legislative Decree 267/2000 or other Public Bodies or Authorities hold, even indirectly, the majority of their share capital), including the other Parties, or to consortia formed between public bodies or to companies with share capital, also in consortium form, controlled by a Party to the Agreement, also jointly with other Parties to the Agreement, on the condition that the aforesaid company, at the time of the transfer made in its favour, has adhered to the Agreement. The Parties will be free to transfer, even to third parties, the option rights on the blocked shares. Transfers of blocked shares will be permitted only on the condition that the transferring entity, by the date of the Transfer made to it, has entered into the Agreement by accepting it in writing and allocating the transferred shares to the Blocking Syndicate.

Each Party undertakes to inform the Chairman of the Syndicate Committee in writing, in a timely manner and in any case no later than the fifth day following the transfer, of any change in the blocked shares held by that Party.

The non-transferability constraint applies only to blocked shares. In any case, the Parties undertake to sell, in an orderly manner, the shares other than the blocked shares which they intend to transfer in order to allow a smooth negotiation, in particular: a) each Party that intends to make sales on the stock market (without prejudice to the prohibition on selling blocked shares), for a total amount greater than three million shares in each calendar year, undertakes to coordinate in advance with the Committee, and its Chairman on its behalf, during the annual meeting and, where appropriate, also to request further meetings, and to implement a method of sale completed through a single transaction; b) if at the annual meeting: (i) the total number of shares to be offered for sale, even individually, is greater than ten million shares, the sale will proceed in a coordinated way; (ii) the total number of shares to be offered for sale does not exceed ten million shares, each Party may proceed with the sale independently, without prejudice to the provisions outlined under point a) above.

The annual meeting will also be aimed at verifying whether the intentions of each Party to sell shares are lower than the number of shares held by that Party not subject to the Blocking Syndicate. In this case, extra shares not already subject to the Blocking Syndicate may be subjected to the Blocking Syndicate and the shares of other parties to the Agreement that need to be disposed of may be unblocked. Coordination will be carried out by the Committee on the basis of the principle of proportionality. Once shared, changes to the number of shares subjected to the Blocking Syndicate will be incorporated into the Agreement, it being understood that the total number of blocked shares may not be changed except as provided for in the preceding sections.

Each Party has the right to transfer, for any reason whatsoever, its shares to any joint-stock company, even in consortium form, controlled by itself or jointly with other Parties, provided that the aforesaid company, at the time of the transfer made in its favour, has adhered to the Agreement. In this case, all the rights and obligations of the Parties will be placed in the hands of the transferee company, without prejudice to the obligation of the Party to the Agreement that made the transfer to then repurchase a number of shares equal to those transferred, if the company (i) is no longer controlled by the transferor, or (ii) the controlled company is subject to bankruptcy proceedings of any kind, or (iii) in the event of a merger, demerger or any other form of transformation of the controlled company.

For the entire duration of the Contract, the Parties undertake not to set up, directly or indirectly, including through third parties or through subsidiaries and/or connected parties or with third parties acting in concert with them, as defined in article 109 of the TUF, acts and/or facts and/or transactions, including transfers, which involve or may involve the obligation to make a mandatory public offer for the purchase of Hera shares ("OPA"). The defaulting Party shall take all necessary and appropriate actions to remedy the occurrence of OPA and, where possible, benefit from the exemptions provided for by applicable legislation, for example it shall undertake to transfer the shares to unrelated parties, or reduce the excess voting rights within twelve months and not to exercise these rights pursuant to letter e) of Article 49,

paragraph 1) of the Issuers' Regulations and/or it must waive the allocation of the increased voting rights pursuant to and within the terms of applicable legislation.

### **Bodies of the Agreement**

In addition to the Voting Trust Committee, the bodies of the Agreement are the Chairman and Secretary.

#### **Chairman**

The Voting Trust Committee is presided over by the Committee Chairman or, in his/her absence, the oldest individual among its members. The Chairman is assisted by the Secretary. In its first meeting, the Voting Trust Committee will appoint the Chairman, to be the person who, among the members of the Committee, has obtained the highest number of overall votes assigned to the members of the Committee present at that meeting. The Chairman performs the following tasks: a) convenes and chairs the Committee, preparing the agenda; b) carries out all the activities entrusted to him by the Committee and by the Agreement; and c) adjusts the Agreement and its Annexes by removing from the text the names of persons who may not have signed the Pact, and making any further changes that follow from this.

#### **Secretary**

In its first meeting, the Voting Trust Committee will appoint a Secretary, whether or not he/she is a member of the Voting Trust Committee who, unless the position is revoked or resigned, will remain in office for the entire duration of the Agreement. The Secretary is responsible for the following tasks: a) preparing the minutes of the meetings of the Voting Trust Committee; b) keeping the minutes of the meetings of the Voting Trust Committee; c) performing all the operational and executive functions necessary for the proper functioning of the Agreement, in support of the activities of the Voting Trust Committee and the Chairman, entrusted to him/her by the Chairman.

### **Nature of the Agreement and persons exercising control over the Company through the Agreement**

In view of the above, it is considered that the Agreement is material pursuant to article 122, paragraph 5, letters a) and b) of the TUF.

In view of the nature of the Agreement and by virtue of its provisions, no person is in a position to exercise control over Hera.

### **Penalties**

The Party that is in breach of certain provisions of the Agreement shall be liable to pay a penalty of (a) 5 million euro or (b) the lesser value to be calculated as follows: number of shares held by the Party that is in breach at the time of the breach, multiplied by three times the value of the share resulting from the arithmetic mean of the official stock exchange prices of the security during the 15 trading days prior to the date of the breach. The amount referred to in this paragraph, point (b), may not be less than 3 million euro and, therefore, if application of the above calculation results in less than this amount, the penalty will be 3 million euro. This is without prejudice to the right of each of the non-defaulting parties to bring a lawsuit for damages. The penalty shall be requested and collected, upon a resolution by the Voting Trust Committee made without the vote of the defaulting party, by the Chairman of the Voting Trust Committee in the name and on behalf of the non-defaulting parties, and shall be paid to the non-defaulting parties in proportion to the shares held by each of them.

If, as a result of breaches of the provisions of the Agreement, one or more Parties, individually or jointly, become obliged to launch a takeover bid, the defaulting party(s) shall indemnify and hold harmless the other Parties from all costs, expenses, charges, liabilities and damages related to or otherwise arising from such conduct, including those relating to the mandatory public tender offer for the Company's shares and related payment obligations. In addition, in such a case, the amount of the applicable penalty referred to in points (a) to (b) shall be applied in duplicate, except in the case of greater damages. This penalty will be applied, for the entire duration of the Agreement, in the event of a breach of the prohibition on the transfer of blocked shares resulting in a reduction in the total number of blocked shares below 38% of the share capital of Hera.

Any Party that does not default may automatically terminate the Agreement in relation to the defaulting Party in accordance with Article 1456 of the Italian Civil Code and with retroactive effect, and, where necessary, request that the Arbitration Board, in accordance with the procedure established therein,

pronounce the Agreement terminated by right against the defaulting Party, without prejudice to the application of the rules on penalties for non-performance.

### **Agreement duration and modifications**

The Pact shall take effect on 1 July 2018 and shall remain in force until 30 June 2021. In view of the expiry of the Agreement, the parties undertake, in accordance with the principles of good faith, to do everything in their power, and in compliance with current legislation, to renegotiate new shareholders' agreements in accordance with the spirit of the Agreement. From the date this Agreement takes effect, any previous shareholders' agreement between the same parties concerning the shares and signed by the same parties will cease to be effective.

The Agreement may be amended with the written agreement of the Parties which together hold at least 65% of the shares subject to the Blocking Syndicate. Changes to the Agreement shall be communicated to all Parties at least 30 days prior to the date such changes come into effect. In this case, the dissenting Parties shall have the right to withdraw immediately by means of a notice sent no later than the fifteenth day prior to the date on which the modifications to the Agreement come into effect.

### **2) Second-level Shareholders' Agreement, Bologna area**

The Agreement concerns 165,922,812 ordinary Hera shares conferred to the voting trust with a nominal value of 1 euro, equal to 11.13921% of the current share capital of Hera, held in total by the 32 public shareholders, and 323,240,704 voting rights, equal to 14.41052% of the total voting rights that make up the share capital.

### **Content of the Agreement**

#### **Voting trust**

In order to take on the decisions made by the Voting Syndicate, the Parties have established a deliberative body of the Voting Syndicate (the Agreement Assembly) composed of the pro-tempore legal representatives of each Party or their delegates.

The Agreement Assembly meets:

- (i) at least three days before each meeting of the Voting Trust Committee, as per the Voting Trust Agreement;
- (ii) at least five days before each meeting of the Hera S.p.A. shareholders that includes any items on its agenda different from that covered by the Voting Trust Committee as outlined in point i) above;
- (iii) at least 30 days before each meeting of the Hera S.p.A. shareholders that includes on its agenda the nomination of components of the Board of Directors and/or Board of Statutory Auditors;
- (iv) Any time the Municipality of Bologna, or 14 Parties other than the Municipality of Bologna, make a written request to the Chairman of the Agreement Assembly.

The decisions of the Agreement Assembly are validly made by a majority of those present, provided that a yes vote has been expressed by the Municipality of Bologna and at least eight other Parties.

The Parties to the Agreement undertake to ensure that their vote at the Shareholders' Meeting conforms to the resolutions adopted by the Agreement Assembly.

#### **Identification of the members of the Hera Board of Directors**

With reference to the process of drawing up the majority list for appointing the Board of Directors of Hera S.p.A., the Parties themselves undertake to define and approve, as follows, with due regard for the balance between genders, the list containing the names of directors:

- a maximum of two components - in accordance with the agreements that may be entered into with the Municipality of Ferrara, also in the interest of the shareholders of the Ferrara area - indicated by the Mayor of the Municipality of Bologna;
- one component indicated by the Parties, excluding the Municipality of Bologna, in the Agreement Assembly.

Finally, the Parties undertake to ensure that the Directors appointed by them, at the first meeting of the Board of Directors of Hera S.p.A., proceed with appointing the office of Chief Executive Officer, it being understood that they will consult each other before the name of the candidate is formalized.

Before the name of the candidate for Chief Executive Officer of the Board of Directors of Hera S.p.A. is formalised, the Mayor of the Municipality of Bologna or a person appointed by him, in the interest of the Parties, will consult with the common representative of the shareholders of the Romagna Territorial area and will inform the Chairman of the Voting Trust Committee.

### Rules for transfers of blocked shares

For the duration of the Agreement, the parties to the Agreement undertake not to transfer the Hera Spa shares subject to the Blocking Syndicate (blocked shares) referred to in the first-level Shareholders' Agreement.

### Rules for non-blocked Hera shares

The Party that intends to sell Syndicated shares that are not blocked shares, and therefore not subject to the non-transferability restriction, for total amount of less than three million shares during each calendar year, must pre-emptively offer the Shares to be sold in advance to all the other Parties, under the same conditions, in proportion to the shareholding held by each Party in Hera, without prejudice to the right of growth of each Party.

In the event of non-compliance with the above provision, the acts of disposal of the shares shall be null and void and shall be unenforceable in relation to the Parties and Hera S.p.A.

### Penalties

The Party in breach of the provisions of the Agreement will be required to pay a penalty, for each individual, confirmed violation, of 500 thousand euro, without prejudice to compensation for any potential additional damage.

### Agreement duration

The Pact shall take effect on 1 July 2018 and shall remain in force until 30 June 2021.

In view of the expiry of the Agreement and if the Voting Trust Agreement is in turn renewed, the parties undertake, in accordance with the principles of good faith, to do everything in their power, and in compliance with current legislation, to renegotiate new shareholders' agreements.

### Nature of the Agreement and persons exercising control over the Company through the Agreement

In view of the above, it is considered that the Agreement is material pursuant to article 122, paragraph 5, letters a) and b) of the TUF.

In view of the nature of the Agreement and by virtue of its provisions, no person is in a position to exercise control over Hera.

### 3) Second-level Shareholders' Agreement, Modena area

The total number of voting rights conferred on the voting syndicate is 232,386,914 and the relative percentage of the total voting rights that make up the share capital of Hera is approximately 10.36013%.

### Content of the Agreement

#### Voting trust

In order to take on the decisions made by the Voting Syndicate, the Parties have established a deliberative body of the Voting Syndicate (the Shareholders' meeting of the Voting Trust) composed of the pro-tempore legal representatives of each Party or their delegates.

The Shareholders' meeting of the Voting Trust meets:

- (i) at least one day before each meeting of the Voting Trust Committee, in accordance with the Hera Pact, that includes on its agenda one of the resolutions and activities referred to in Article 4.3 of the Hera Pact;
- (ii) at least one day before each meeting of the Hera S.p.A. shareholders that includes any items on its agenda different from that covered by the Committee as outlined in point i) above;

With reference to the process of drawing up the majority list for appointing the Board of Directors of Hera S.p.A., if under the Hera Pact:

- (i) only one member of the majority list for the Board of Directors elections is reserved for the parties to the Modena pact, the Shareholders' meeting of the Voting Trust shall arrange for it;
- (ii) the parties to the Modena agreement are assigned the right to designate two members of the majority list for the Board of Directors election, the Municipality of Modena will be in charge of designating who will be proposed as vice chairman of the Board of Directors, while the second member will be designated by the Shareholders' meeting of the Voting Trust;
- (iii) more than two members of the majority list for the election of the Board of Directors are to be appointed by the Parties to the Modena agreement; the Municipality of Modena will be responsible



for appointing two thirds of the members, rounded up to the nearest whole number, including the one who will be proposed as vice president, while the other members will be appointed by the Shareholders' meeting of the Voting Trust.

The Shareholders' Meeting of the Voting Trust shall resolve on the basis of the number of Hera shares blocked under the Hera Pact held by each Party, with reference to the total number of Hera shares blocked under the Hera Pact held by the Parties as a whole: for resolutions to be valid, there must be present a number of Parties holding at least 4/5 of the blocked shares and a yes vote by a number of Parties holding at least 4/5 of the blocked shares in relation to those held by the Parties present.

#### **Rules for blocked Hera shares**

The Modena agreement does not provide for a specific Blocking Syndicate; rather, it refers to the Hera pact for the regulation of the blocked shares covered by it.

#### **Rules for non-blocked Hera shares**

The Modena agreement refers to the Hera pact for the regulation of the transfer of non-blocked shares. It also states that the Parties undertake to define, in advance and jointly, at the Shareholders' Meeting, the number of shares to be transferred.

#### **Agreement duration**

The Modena Agreement, in effect beginning 1 July 2018, shall remain in force until 30 June 2021. The parties have undertaken to renegotiate the Agreement in good faith, with due respect for the spirit of the Agreement and with a view to its expiry.

#### **Nature of the Agreement and persons exercising control over the Company through the Agreement**

In view of the above, it is considered that the Agreement is material pursuant to article 122, paragraph 5, letters a) and b) of the TUF.

In view of the nature of the Modena Agreement and by virtue of its provisions, no person is in a position to exercise control over Hera.

#### **Penalties**

The Party that is in breach of the provisions of the Agreement shall be liable to pay a penalty equal to five per cent of the value of the Hera shares held at the time of the breach, calculated as the arithmetic mean of the official stock market prices of the Hera share during the 15 trading days prior to the date of the breach.

#### **4) Sub-agreement between the Municipalities of Padua and Trieste**

The Agreement concerns 101,696,159 ordinary Hera shares, equal to 6.82736% of the current share capital of Hera, held in total by the two participating municipalities, and 203,392,318 voting rights, equal to 9.06751% of the total voting rights that make up the share capital.

#### **Content of the Sub-agreement**

The purpose of the Sub-agreement is to establish a consultation and voting syndicate that will be instrumental to ensuring the realization of certain provisions regarding Hera's corporate governance in implementation of the provisions of the Agreement.

Specifically, the Sub-agreement regulates the procedures for the joint appointment of a member of the Hera Executive Committee, providing that the Parties confirm their mutual commitment to consulting in good faith in order to identify and agree which of the two directors elected to the Company's Board of Directors, upon their appointment, should be the director to be appointed as member of the Hera Executive Committee.

As agreed to by the Parties, with effect from November 2018 and until the natural expiry of the Board of Directors of Hera, the director designated by the Municipality of Padua has assumed the position of member of the Executive Committee in place of the member representing the Municipality of Trieste, previously in office. Subsequently, on the date of the renewal of Hera's administrative body, which took place on 29 April 2020, the Parties agreed again that it was the director designated by the Municipality of Padua who would take on the position of member of the Executive Committee.

#### **Duration of the Sub-agreement**

The Sub-agreement has a duration of three years from the date of its signing (26 June 2018).

In view of the expiry of the Sub-agreement, the parties undertake, in accordance with the principles of good faith, to do everything in their power, and in compliance with current legislation, to renegotiate new shareholders' agreements in accordance with the spirit of this Sub-agreement.

#### **Nature of the Agreement and persons exercising control over Hera S.p.A. through the Sub-agreement**

In view of the above, it is considered that the Agreement is material pursuant to article 122, paragraph 5, letter a) of the TUF.

In view of the nature of the Agreement and by virtue of its provisions, no person is in a position to exercise control over Hera.

#### **g) Mandates to increase share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) of the TUF)**

The shareholders' meeting of 29 April 2020 authorized, pursuant to the limits established by Article 2357 of the Italian Civil Code, to purchase, within 18 months of the date of the resolution, on one or more occasions, up to a revolving maximum of 60 million ordinary Hera shares with a par value of 1 euro each, equal to approximately 4.03% of the ordinary shares making up the share capital, in accordance with the following conditions:

- (i) purchase price not lower than the par value and not more than 10% higher than the reference price recorded on the stock-market trading day preceding each individual purchase;
- (ii) the purchases and all the deeds concerning the treasury shares may occur at a price that does not involve negative economic consequences for the company, and must occur in compliance with the laws, regulations and provisions established by the supervisory body and/or Borsa Italiana S.p.A., involving a maximum increase in investment of 270 million euro.
- (iii) use of the treasury shares purchased within the scope of transactions representing investment opportunities or other transactions involving the allocation or disposal of treasury shares;

It should be noted that the buy-back authorisation only concerns the purchase of ordinary shares, thus excluding the possibility of purchasing derivative financial instruments, and that the number of treasury shares in portfolio at the end of the 2020 financial year was 28,891,271.

### **3 Compliance (ex art. 123-bis, comma 2, lettera a), Tuf)**

Hera, with a resolution by the Board of Directors on 11 November 2020, adopted the provisions of the Corporate Governance Code (hereinafter referred to as the Code), which contains a detailed series of recommendations concerning principles and rules for the management and control of listed companies, in order to increase the clarity and concreteness of persons and roles, particularly with regard to the independent directors and the internal committees of the Board of Directors.

Although adoption of the recommendations contained in the Code is voluntary, the Company, in continuity with its previous adherence to the Self-Regulatory Code, has decided to adhere to the Code's recommendations in order to reassure investors that it has a clear and well-defined organisational model, with adequate allocation of responsibilities and powers and a proper balance between management and control; this model is an effective tool at the disposal of the administrative body for the pursuit of sustainable success.

The full text of the Code currently in force is available to the public on the Committee for Corporate Governance website, at:

<https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>

## 4 Board of Directors

Hera has an ordinary/traditional system of governance. The following paragraphs describe the composition and functioning of the Board of Directors and the Board of Statutory Auditors.

### a) Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter l) of the TUF)

#### List voting

The appointment of the Board of Directors is subject to the list voting mechanism, in order to guarantee that the Board of Directors includes Directors designated by minority shareholders, in compliance with current legislation on gender balance.

Specifically, Articles 16 and 17 of the Articles of Association govern the terms and conditions for filing and publishing lists, as well as the related documentation, in compliance with current regulations.

It should be noted, in this regard, that Law 160 of 27 December 2019, effective 1 January 2020, to supersede former Law 120/11, introduced new provisions concerning the gender balance in the management and control bodies of listed companies, increasing the percentage of seats to be allocated to the less-represented gender from at least one third to at least two fifths for both management and control bodies, and also increasing the period of validity of the new distribution criterion to six consecutive mandates instead of three.

In order to align its by-laws with the above-mentioned regulatory provisions, Hera amended articles 16 and 17 of the by-laws during the Shareholders' Meeting held on 29 April 2020.

The lists presented by shareholders must include at least two candidates satisfying the independence requirements established for the statutory auditors by Article 148, paragraph 3 of Legislative Decree 58/1998 and by the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., together with the candidates' CVs, a declaration of the individual candidates stating that they accept the office and certifying the non-existence of any ineligibility and/or incompatibility provided by law and any applicable declaration of satisfaction of the independence requirements established for statutory auditors by Article 148, paragraph 3 of the TUF and those established by the Civil Code. In this regard, it is noted that the Board of Directors currently in office is made up of 13 independent directors out of 15 members.

The lists must be filed, pursuant to art. 17.5 of the Articles of Association, at the registered office at least 25 days before the Shareholders' Meeting, and made available to the public at the registered office and on the website [www.gruppohera.it](http://www.gruppohera.it) at least 21 days before the meeting.

The terms and conditions for the filing of lists are indicated by the Company in the Shareholders' Meeting notice of call. Each shareholder may submit or participate in the submission and voting of only one list. Subscriptions and votes cast in violation of this prohibition shall not be attributed to any list.

#### Eligibility to submit lists and their composition

Lists for the appointment of members of the Board of Directors may be submitted by shareholders representing at least 1% of the share capital with voting rights at the Ordinary Shareholders' Meeting, unless otherwise provided for by current legislation, to be indicated in the notice of call.

In this regard, it should be noted that, on the occasion of the last renewal of the administrative body which took place at the Shareholders' Meeting of 29 April 2020, the shareholding required for presenting lists of candidates for the election of the sitting administrative body was identified by Consob (through Resolution 28 of 30 January 2020) in the amount of 1%, equal to the percentage provided for in article 17.4 of the current Articles of Association.

In order to demonstrate ownership of the number of shares necessary for presenting lists, shareholders must file the appropriate certification proving ownership of the number of shares represented at the registered office within the deadline set by the Company for posting the lists.

In addition, in order to ensure the election of the minimum number of independent directors, pursuant to article 17.3 of the Articles of Association, at least two candidates on each list must meet the independence requirements established for Statutory Auditors by article 148, paragraph 3 of Legislative Decree 58/1998 and by the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A.

In accordance with Article 17 of the Articles of Association, as modified by the Extraordinary Shareholders' Meeting of 29 April 2020, in implementation of Law 160 of 27 December 2019, also

guarantee compliance with current legislation regarding the balance between genders in the administrative and control bodies of listed companies.

If the list voting system does not ensure the minimum gender quota required by law, the candidate of the most represented gender positioned last on the list of candidates elected from the list with the highest number of votes shall be replaced by the candidate of the less-represented gender who was positioned first among the non-elected candidates on the same list and so on, up to the minimum number of directors belonging to the less-represented gender. If the minimum number of directors belonging to the less-represented gender still has not been reached even after applying this criterion, the replacement criterion indicated will be applied to the minority lists, starting from the list that received the highest number of votes.

### **Appointment mechanism**

The members of the Board of Directors are appointed in accordance with current law and on the basis of the provisions of Articles 16 and 17 of the Articles of Association, as modified by the Extraordinary Shareholders' Meeting of 29 April 2020, and therefore:

- the company is managed by a Board of Directors composed of 15 members;
- The members of the Board of Directors are appointed on the basis of lists in which the candidates are marked with a progressive number and, in any case, number no more than the number of members to be elected:
- 11 members taken from the list that obtained the highest number of votes according to the rank order in which they were listed, of which at least 4 must be of the less-represented gender;
- for the appointment of the remaining four members, the votes obtained by each of the lists other than the majority list, and which have not been presented or voted for by shareholders connected to the shareholders who presented or voted for the same majority list in accordance with the regulations in force at the time, are subsequently divided by one, two, three and four; The quotients deriving from this division are progressively assigned to the candidates on each list, in the order provided for by the list. Candidates are then arranged in a single descending ranking, according to the quotients assigned to each candidate. The candidates elected shall be those who the highest quotients, in relation to the remaining members to be elected, of which at least one must be of the less-represented gender.

### **Replacement of directors**

In accordance with Article 17.10 of the Articles of Association, if one or more directors appointed on the basis of the list voting system should leave office during the course of the financial year, their places will be filled by means of the co-opting, pursuant to Article 2386 of the Italian Civil Code, of the first unelected candidates from the list to which the departing directors belonged who have not yet been members of the Board of Directors, respecting the principles of gender balance set forth by the law. If, for any reason, no candidates are available, the Board, in compliance with the principles of gender balance set forth by the law, and again pursuant to Article 2386 of the Civil Code: The directors thus appointed will remain in office until the next Shareholders' Meeting, which will deliberate in accordance with the procedures established for the appointment.

### **Plans of succession**

The Board of Directors, as regards executive director nomination procedures, that are determined by public shareholders and the evaluations that can be traced to the latter, does not consider it necessary to elaborate a plan of succession for the aforementioned directors. Appointments to the Board of Directors are also made by shareholders through list voting at the Shareholders' Meeting. In case of early termination of the executive directors' mandate, the procedure will be carried out in compliance with the provisions of the Articles of Association and the Shareholders' Agreement: the Chairman's functions, as legal representative, will be immediately taken over by the Vice Chairman; the Board of Directors will have the power to co-opt new directors to replace those who have ceased to hold office and will deliberate the allocation of proxies. The first Meeting will act to supplement the Board of Directors.

### **b) Composition (pursuant to Article 123-bis, paragraph 2, letter d) and d-bis, of the TUF)**

The shareholder's meeting held 29 April 2020 has appointed for three financial years a Board of Directors, whose mandate lasts from now until the approval of the financial statement for the 2022 financial year, composed of 15 members, including:



- 11 members taken from the list that obtained the highest number of votes according to the rank order in which they were listed, of which four of the less-represented gender;
- four members taken from the lists that were not the one that obtained the highest number of votes and which were neither presented nor voted on by shareholders associated with the shareholders who presented or voted for the majority list, of which two of the less-represented gender;

This appointment was thus made on the basis of the list voting system, in order to ensure that at least 1/5 of the directors are appointed from the minority list in compliance with the provisions of Article 4 of Legislative decree 332 of 31 May 1994, converted from Law no. 474 of 30 July 1994.

At the Shareholders' Meeting of 29 April 2020 mentioned above, three lists of candidates were presented, listed below along with an indication of their proposing Shareholders:

**List no. 1**, presented on 30 March 2020 by the shareholders Municipality of Bologna, Municipality of Casalecchio di Reno, Municipality of Cesena, Municipality of Modena, Municipality of Padova, Municipality of Trieste, Municipality of Udine, Con.Ami, Holding Ferrara Servizi Srl, Ravenna Holding Spa and Rimini Holding Spa, who, together with 107 other public shareholders, were at the time parties to the "Shareholders' Agreement on Voting and Share Transfer Rules" of 26 June 2018, and who together hold 619,396,602 Hera shares, corresponding to 41.58% of the voting shares of Hera S.p.A., a list that obtained 1,310,803,294 voting shares, equal to 69.632048% of the total voting shares present, containing the names, in ranked order, of the following candidates:

1. Tomaso Tommasi di Vignano
2. Stefano Venier
3. Gabriele Giacobazzi
4. Monica Mondardini
5. Fabio Bacchilega
6. Danilo Manfredi
7. Lorenzo Minganti
8. Manuela Cecilia Rescazzi
9. Marina Vignola
10. Alessandro Melcarne
11. Federica Seganti

**List no. 2**, submitted on 2 April 2020 by the shareholder Gruppo Società Gas Rimini Spa, holder of 30,771,269 Hera shares, corresponding to 2.065825% of the shares with voting rights of Hera Spa, a list that obtained 167,846,764 voting rights, corresponding to 8.916299% of the total voting shares present, containing the names, in ranked order, of the following candidates:

1. Bruno Tani
2. Anna Maria Galassi
3. Rodolfo Ortolani
4. Beatrice Righi

**List no. 3** submitted on 3 April 2020 by Studio Trevisan & Associati on behalf of the shareholders Amundi Luxembourg SA - Amundi European Equity Small Cap; Amundi Asset Management SGR Spa manager of the funds: Amundi Dividendo Italia, Amundi Risparmio Italia, Amundi Sviluppo Italia; APG Asset Management N.V, manager of the funds: Stichting Depositary APG Developed Markets Equity Pool, Stichting Depositary APG Developed Markets Equity Minimum Volatility Pool; ARCA Fondi SGR Spa manager of the fund: Arca Azioni Italia; Etica SGR Spa manager of the funds: Etica Rendita Bilanciato, Etica Obbligazionario Misto, Etica Bilanciato, Etica Azionario; Eurizon Capital SGR Spa manager of the funds: Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon PIR Italia Azioni, Eurizon Progetto Italia 40; Eurizon Capital S. A. manager of the fund Eurizon Fund, section Italian Equity Opportunities; Fideuram Asset Management Ireland manager of the fund Fonditalia Equity Italy; Fideuram Investimenti SGR Spa manager of the funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50; Interfund Sicav - Interfund Equity Italy; Kairos Partners SGR Spa management company of Kairos International Sicav comparti: Italy, Target Italy Alpha; Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SGR Spa manager of the funds: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Sviluppo Italia; Mediolanum International Funds Limited - Challenge Funds - Challenge Italian Equity; Pramerica SGR Spa - Pramerica Sicav comparti Italian Equity and Clean Water,

together the holders of 26. 928,425 Hera shares, corresponding to 1.80784% of the Hera Spa shares with voting rights, a list that obtained 394,583,000 voting rights, corresponding to 20.960904% of the total number of voting rights present, containing the names, in ranked order, of the following candidates:

1. Erwin Paul Walter Rauhe
2. Gianmarco Montanari
3. Paola Gina Maria Schwizer
4. Alice Vatta
5. Manlio Costantini

Following the shareholders' meeting vote, as well as the subsequent meeting of the Board of Directors held on the same date for the appointment of Executive Chairman, Chief Executive Officer and Vice President, the administrative body was made up as follows:

1. Tomaso Tommasi di Vignano (Chairman of the Executive Committee)
2. Stefano Venier (Chief Executive Officer)
3. Giovanni Basile (Vice Chairman of the Executive Committee)
4. Monica Mondardini
5. Fabio Bacchilega
6. Danilo Manfredi
7. Lorenzo Minganti
8. Manuela Cecilia Rescazzi
9. Marina Vignola
10. Alessandro Melcarne
11. Federica Seganti
12. Erwin Paul Walter Rauhe
13. Bruno Tani
14. Paola Gina Maria Schwizer
15. Alice Vatta

The current composition of the Board of Directors is indicated below while Table 1 attached to this report provides more detailed information on the composition and functioning of the Board of Directors, as well as the specific section on the Company's website where the personal and professional details of each director are outlined.

| First and Last name       | Role                    | Title                              |
|---------------------------|-------------------------|------------------------------------|
| Tomaso Tommasi di Vignano | Executive Chairman      | Executive Director                 |
| Stefano Venier            | Chief Executive Officer | Executive Director                 |
| Gabriele Giacobazzi       | Vice Chairman           | Non-executive Independent Director |
| Fabio Bacchilega          | Director                | Non-executive Independent Director |
| Danilo Manfredi           | Director                | Non-executive Independent Director |
| Alessandro Melcarne       | Director                | Non-executive Independent Director |
| Lorenzo Minganti          | Director                | Non-executive Independent Director |
| Monica Mondardini         | Director                | Non-executive Independent Director |
| Erwin P.W. Rauhe          | Director                | Non-executive Independent Director |
| Manuela Cecilia Rescazzi  | Director                | Non-executive Independent Director |
| Paola Gina Maria Schwizer | Director                | Non-executive Independent Director |
| Federica Seganti          | Director                | Non-executive Independent Director |
| Bruno Tani                | Director                | Non-executive Independent Director |
| Alice Vatta               | Director                | Non-executive Independent Director |
| Marina Vignola            | Director                | Non-executive Independent Director |

### Diversity Criteria and Policies

The appointment of the Board of Directors took place during the Shareholders' Meeting of 29 April 2020, following the presentation of three lists, one majority and two minority, which guaranteed, in accordance with regulatory provisions currently in force on the balance between genders, that at least 2/5 of the members of the Board of Directors consisted of the least-represented gender (six members of the least-represented gender out of a total of 15 directors).

Of the current 15 directors, four are between 30 and 50 years old, six are between 51 and 60 years old and five are over 60 years old, for an average age of 57.

The directors possess proven professional competence in financial, economic, and legal matters and in the fields of sustainability, social and environmental issues.

The Board of Directors expressed its full satisfaction with and appreciation of the size, composition and functioning of Hera's Board of Directors and its Committees.

Furthermore, Hera maintains as a priority the objective of ensuring equal treatment and opportunities between genders, including within the company organization as a whole, on the assumption that:

- differences in gender, culture and origin are now universally recognized as a value and must therefore be managed in the best possible way;
- feeling equal and included leads to the generation of cooperative behaviours at work and fosters an organisational coexistence which promotes greater sharing of the company culture.

Already in 2011, in order to further promote the development and dissemination of a company policy on equal opportunities and equality at work, the figure of the Diversity Manager was established with the aim of fostering the implementation of this company policy on equal opportunities and diversity enhancement.

The mission of Diversity Management can be described in the following macro-points:

- spreading the culture of inclusion among public, private and civil society, and sharing best practices with local institutions and companies to strengthen the social network;
- supporting the management and valorisation of plurality in the company;
- strengthening the Hera Group's role in developing the culture of appreciating differences and fostering work-life balance.

Spreading a culture of diversity, introducing time-saving projects aimed at achieving an effective balance between everyday life and work, health and wellbeing and fostering empowerment have been central themes in the company's work to date.

### Accumulation of positions in other companies

In a resolution dated October 10th 2006, the Board of Directors placed a limit of one on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of executive director, and a limit of two on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of non-executive director.

In this regard, the Board of Directors, in its 24 March 2021 meeting, deemed the position of director held by Ms. Mondardini in Hera to be compatible, notwithstanding the fact that she has declared that she holds positions in three listed companies, in consideration of the fact that two of these belong to the same corporate group.

### Induction Programme

The Board of Directors ensures that its own members participate in initiatives aimed at increasing their own knowledge of Hera's sector of activities, its company dynamics and their developments, as well as the regulatory reference frame.

As in the past, during the last financial year the Company again organised in-depth analysis, both on a case-by-case basis and during Board meetings, and intensified this activity in order to ensure that Directors acquired adequate knowledge of the main issues regarding the Company as quickly as possible.

Starting from previous years, specific induction sessions were carried out to provide directors with adequate knowledge of the main sectors of activity (networks, energy and environment) and several in-depth sessions were prepared, within the meetings of the Board of Administration, focusing on business issues, investments, organization, the market scenario, the evolution of regulations, upcoming tenders and risk management, but also risk issues (particularly environmental risks) and investments.

After the renewal of the administrative body, induction sessions were held in 2020 to provide directors, and in particular the newly appointed ones, with appropriate knowledge of the main characteristics of the company (governance, sustainability, relations with the main stakeholders), the results the Groups has

achieved in recent years, the elements of the business plan and CSV strategy as well as human resources, financial management and risk management, with specific in-depth analyses of the individual sectors and a focus on the other services and activities carried out by the Group in terms of innovation. Specifically, the following topics were dealt with: risk assessment, crisis management, the cyber security management plan, actions taken in response to the health emergency, the digitalization of operational areas, regulations governing environmental services, financial risk reports and investments. New protocols have also been adopted with reference to the Organization Model pursuant to Legislative Decree 231/2001 and the periodic reports of the Risks Committee and the Internal Controls and Risks Committee were presented.

In 2020 as well, further in-depth analysis was carried out during strategy day, as a moment of collective reflection on the future of the Company, with the support of Management.

Moreover, the induction programme was able to organize a visit to the Polo Tecnologico Telecontrollo and Call Center tecnico reti e impianti located in Forlì, a centre of technological excellence that is unique in Italy and stands at the forefront in Europe.

### **c) Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)**

The Board of Directors is the central administrative body of the Company. In accordance with the recommendations of the Code, the Board of Directors is responsible for guiding the Company in its pursuit of sustainable success, defining its strategies and monitoring their implementation and promoting, in the most appropriate forms, dialogue with the shareholders and other stakeholders who are relevant to the Company; the administrative body is also responsible for defining the nature and level of risk consistent with the Company's strategic objectives, carrying out an assessment which includes all the elements that may be significant in terms of the Company's sustainable success. The Articles of Association require the Board to meet at least quarterly and whenever the Chairman deems it necessary, or when requested by at least 1/3 of its members or by the Board of Statutory Auditors. Furthermore, the Board of Directors shall be vested with the widest powers for the ordinary and extraordinary management of the Company without any limitations, with the power to carry out all the acts deemed necessary or appropriate to achieve the Company's aims, with the sole exception of those which, strictly speaking, are assigned to the competence of the Shareholders' Meeting by law or by the Articles of Association.

In particular, in accordance with the provisions of the Articles of Association, and in addition to the definition of the structure of the Group, deliberations on the following matters fall to the exclusive competence of the Board:

- I. appointment and/or removal of the Chairman and Vice Chairman;
- II. appointment and/or removal of the CEO and/or the General Manager;
- III. formation and composition of the Executive Committee, appointment and/or removal of the members of the Executive Committee;
- IV. determination of the powers delegated to the Chairman, the CEO and/or the General Manager and/or the Executive Committee, and modification of those powers;
- V. approval and modification of any long-term plans or business plans;
- VI. approval and modification of Group regulations, if adopted;
- VII. recruitment and/or appointment, on the proposal of the Group CEO, of the managers responsible for each departmental area;
- VIII. proposal to place on the agenda of the Shareholders' Meeting the modification of Article 6.4 (shares and shares with increased voting rights) Article 7 (Public majority shareholding), Article 8 (Limits on shareholdings), Article 14 (Validity of Shareholders' Meetings and rights of veto) and Article 17 (Appointment of the Board of Directors) of the Articles of Association;
- IX. acquisition and disposal of equity investments with a value exceeding 500 thousand euro;
- X. purchase and/or sale of properties with a value exceeding 500 thousand euro;
- XI. provision of sureties, liens and/or other real guarantees with a value exceeding 500 thousand euro;
- XII. purchase and/or sale of companies and/or business units;
- XIII. appointment of directors of subsidiaries and affiliates;
- XIV. participation in calls for tender and/or public procedures involving the assumption of contractual obligations exceeding 25 million euro.

The Board of Directors, in conformity with the provisions of Article 23 of the Articles of Association and Article 150 of Legislative Decree no. 58/98, reports regularly to the Board of Statutory Auditors, at least every three months, normally during the meetings of the Board of Directors or even directly through a written memorandum sent to the Chairman of the Board of Statutory Auditors, on the activities carried out and on the most important economic, financial and asset-related operations carried out by the Company or its subsidiaries, as well as on the operations in which the directors have an interest, on their



own behalf or that of third parties, or which are influenced by the party that exercises the activity of direction and coordination. Each director, pursuant to Article 2391 of the Italian Civil Code, informs the other directors and the Board of Statutory Auditors of any interest which, on his own account or that of third parties, he has in a given operation of the Company, indicating the nature, terms, origin and extent of that interest; if the director concerned is the Group CEO, he must refrain from carrying out the operation and entrust it to the Board.

The Board of Directors met on 13 occasions in 2020. All the directors took part in eight of these meetings, while almost all of them took part in the other five; all the statutory auditors took part in nine of the meetings, while almost all of them took part in three and one statutory auditor took part in one meeting. The average length of the meetings of the Board of Directors was approximately two hours and 30 minutes.

In FY 2020, as in FY 2019, the directors was again displayed a high level of attendance at the meetings of the Board of Directors (equal to more than 97%), a figure higher than the average level of attendance recorded for FTSE MIB Index companies.

The General director of Operations, invited to participate in the meetings of the Board of Directors, attended all of the meetings.

The Head of Legal and Corporate Affairs, in his capacity as Secretary of the Board of Directors, attended all of the meetings.

When so required, the managers responsible for the various departmental areas participated in the meetings of the Board of Directors to refer on matters falling under their competence that are part of the agenda.

Regarding the current financial year, as of 24 March 2021, a total of three Board of Directors meetings have been held: all the directors and all of the statutory auditors took part in all of these meetings. As of that date, seven meetings of the Board of Directors had been planned for the remainder of the year.

The Board of Directors, in conformity with the provisions of Article 4 - recommendation 22 of the Corporate Governance Code, carries out an annual assessment of the size, composition and functioning of the Board itself and of its committees, also considering its role in defining strategies and monitoring management performance and the adequacy of the internal audit and risk management system.

This evaluation was carried out with the support of Spencer Stuart, an independent expert on issues of governance experts and administrative body consultancy services.

This company's methodology focuses on the structure and composition of the collegiate body, on the methods of operation the Board has adopted for making decisions, and on the way responsibilities should be defined. The focus is on the effectiveness of the Board and the Committees in performing their corporate policy and control functions.

This proposed methodology aims to grant continuity over time to the activities carried out in past years and is based on the following tools:

1. interviews with the members and chairman of the Board of Statutory Auditors focused on the main areas of interest (size, composition, functioning) of the Board;
2. examination of the corporate documentation (minutes of the Board meetings) and verification of the effectiveness of the actions taken during the last year, to follow up on the comments the Directors expressed during the previous self-assessment;
3. analyses of international best practices and comparison with these practices;

The final results of the project are presented and discussed in an ad hoc session of the Board.

### **Structured interviews**

As indicated, the project takes place through individual interviews with the Directors and the Chairman of the Board of Statutory Auditors.

The interviews are based on an Interview Schedule which is sent to the Directors before the meetings with the Spencer Stuart consultants and which covers corporate governance, the functioning of the board, the composition of the Board, and the exercise of direction and control powers.

Each question requires both a quantitative assessment and a qualitative comment on the topic under examination. The directors express the degree to which they agree with the statements contained in the interview schedule, using an internationally recognized scale.

All the analyses and comments are processed in an absolutely anonymous and confidential manner. As usual, issues were analysed relating to the organization of the Board of Directors and its Committees, the roles and responsibilities of directors with a focus on certain key issues, director participation and engagement, and the overall effectiveness of the Board of Directors.

### **Examination of company documents.**

Hera's corporate documentation is analysed in order to understand the ways in which directors iterate, the actions taken, the issues discussed and their frequency on the agenda.

### **Analysis of international best practices**

The interviews with the Directors also involve analysing the operating practices adopted by the Hera Board of Directors so as to compare them with the best practices.

As part of the self-assessment activity, the Directors expressed satisfaction with the size, composition and functioning of the Board of Directors of Hera Spa and the Committees. In particular, the assessment also painted a positive image in relation to the emergency situation associated with the Covid-19 pandemic.

Interviews with directors revealed a very high level of overall appreciation, also in view of the fact that the Board is in its first year of office: the positive responses, in accordance with the topics proposed by the interview guide, amounted to 93%.

In particular, the areas the Directors displayed the most agreement in assessing positively include:

- Hera's effective management of the Covid-19 crisis, in terms of the Company's internal operations, maintaining the same levels of service in the market and the timeliness of the steps taken;
- the role and working methods of the Board of Directors;
- the Induction sessions;
- the effective relationship between the Board of Directors and top management;
- pre-consultation briefings being provided in keeping with established timelines.

Of the proposals that were identified as part of the Directors' assessments, the following are of note:

- strengthening knowledge of the business and the Company, including through specific off-site visits.

### **d) Delegated bodies**

There are two executive directors on the Hera Board of Directors, the Chairman and the Chief Executive Officer, to whom different company sectors report and to whom the consequent powers have been granted as explained in more detail below.

Neither of the two executive directors can be described as the principal supervisor for the management of the company (chief executive officer).

### **Executive chairman of the Board of Directors**

The Board of Directors, at its meeting of 29 April 2020, passed a resolution to grant the following powers to the Chairman:

1. to chair and direct the Shareholders' Meetings;
2. to establish the agenda of the meetings of the Board of Directors, taking into account the proposals of the CEO;
3. to oversee the deliberations of the Company's administrative bodies, without neglecting the periodic reports presented by the Internal Auditing Department;
4. to represent the Company before third parties and in legal proceedings, with the power to appoint attorneys and lawyers;
5. in cases of urgency, in association with the CEO, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
6. in association with the Group CEO, to propose to the Board of Directors the appointment of Company representatives on the administrative and control bodies of affiliate companies;
7. to represent the company in relations with the shareholding Public Authorities;
8. to propose to the Board the candidates for membership of the Committees that the Board may decide to establish in compliance with the Stock Exchange regulations which the Company is obliged to observe, or that it intends to establish;
9. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
10. to supervise the Company's performance for the purposes of achieving the corporate goals and to draw up proposals relating to the management of the Company to be submitted to the Board of Directors;

11. to be responsible for the organisation of the services and offices under his authority, as well as for the employees working under him;
12. to sign company correspondence and deeds associated with the exercise of the powers attributed to him and the functions he holds;
13. to supervise the management of the Company and, as far as his authority permits, of its subsidiaries, reporting each month to the Board of Directors;
14. to draw up the Long-term Plans to be submitted to the Board of Directors; to implement corporate and Group strategies, within the context of the directives established by the Board, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;
15. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
16. to represent the Company in the shareholders' meetings of companies, associations, entities and bodies that do not constitute joint-stock companies, of which the Company is a member, with the power to issue special proxies;
17. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
18. to actively or passively represent the Company before public and private entities and offices, Chambers of Commerce, Stock Exchanges, the National Commission for Listed Companies and the Stock Exchange, the Ministry for Foreign Trade, and the Italian Exchange Office, and any other Public Administration or Authority; by way of example:
  - a) to sign notices, including notices to the General Register of Shares and to Consob, and to fulfil the corporate obligations provided by law and regulations;
  - b) to submit reports, motions and appeals, to apply for licences and authorisations;
19. to represent the Company in all active and passive lawsuits, in all degrees of jurisdiction, before arbitration boards, with the widest powers to:
  - a) promote actions to determine jurisdiction, conservative, restraining and executive actions, request summary judgements and seizures of property and oppose the same, enter civil proceedings, present motions and appeals, file lawsuits and complaints;
  - b) request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
20. to stipulate and sign contracts and deeds to take on or dispose of shares, to constitute companies, associations and consortiums with a value not exceeding € 500,000.00 (five hundred thousand euro) for each transaction;
21. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of € 300,000.00 (three hundred thousand euro) for each operation;
22. as far as his authority permits, to stipulate, amend and terminate commercial agreements with companies and entities;
23. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate purpose - including those relating to know-how, trademarks and patents - also in association with other companies, up to a limit of € 2,000,000.00 (two million euro) for each transaction;
24. to provide for the expenses incurred by the Company for investments, call for tenders, stipulate, amend and terminate the relative contracts, in particular for:
  - a) works and supplies necessary for the transformation and maintenance of properties and plants up to an amount of € 20,000,000.00 (twenty million euro) for each individual operation;
  - b) purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, up to an amount of € 10,000,000.00 (ten million euro) for each individual operation, as well as finance leases and rentals of such assets, with the cost limit referring to the annual rental;
  - c) purchases, including those under usage licence with the cost limit referring to the annual premium, and job orders relating to EDP programmes;
  - d) commercial information;
25. to participate, as far as his authority permits, in the capacity of representative of the Company, as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGEIs (European Groups of Economic Interest), consortiums and other

entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;

26. to take part, as far as his authority permits, in the Company's name, including in TACs (Temporary Associations of Companies), EGEIs (European Group of Economic Interest), consortiums and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international level, including those eligible for State grants or aid, for the awarding of works, supplies of plant, including "turn-key", and/or of goods and/or studies and/or research and/or services in general for any national, EU or international public or private entity; submit applications for participation as from the pre-qualification stage; submit bids up to an amount of Euro25,000,000.00 (twenty-five million) for each individual transaction - in cases of urgency, the decision concerning amounts exceeding Euro25,000,000.00 (twenty-five million) will be taken in association with the Group CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;
27. to take out, modify and cancel insurance policies, with the cost limit referring to the annual premium, including for surety policies, up to the value of € 500,000.00 (five hundred thousand euro) for each operation (this limit will not apply to transactions connected with participation in tenders);
28. to draw up, sign and implement deeds of sale, purchase, and expropriation of properties and to grant, modify or cancel the in rem rights associated with these properties, with the option of carrying out all the operations associated with and consequent to this, including paying and/or receiving, also in instalments, the payment, and to pay out possible damages and waive statutory mortgages, up to a total of € 500.000,00 (five hundred thousand euro) for each operation;
29. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in instalments, the payment and to pay out possible damages and waive statutory mortgages, up to a total of € 500.000,00 (five hundred thousand euro) for each operation;
30. to rent or let out properties under leases or subleases and stipulate, amend and terminate the relative contracts;
31. to deliberate the cancellation, reduction or restriction of mortgages or liens registered in favour of the Company, as well as subrogations in favour of third parties, where the aforesaid cancellations and waivers are requested further or subordinate to the full discharge of the credit;
32. to establish, register and renew mortgages and liens on the account of third parties and to the benefit of the Company; permit mortgage cancellations and limitations on the account of third parties and to the benefit of the Company for return and reduction of obligations; waive mortgages and mortgage subrogations, including those of a legal nature, and effect any other mortgage transaction, always on the account of third parties and to the benefit of the Company, and therefore receivable, exonerating the competent property registrars from each and every responsibility;
33. to appoint lawyers and attorneys for dispute proceedings of any judicial degree; conclude transactions up to a maximum of € 5,000,000.00 (five million euro) for each individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
34. to define the functional structures of the Company and its subsidiaries, within the framework of the general organisation guidelines established by the Board, specify the criteria for personnel hiring and management in compliance with the annual budget; propose the engagement of directors for each department to the Board of Directors, in consultation with the Executive Committee; engage, appoint and dismiss personnel in accordance with the provisions contained in the annual budgets; promote disciplinary sanctions, dismissals and any other measure in relation to personnel;
35. to represent the Company in all lawsuits pertaining to labour law, including the power to:
  - a) settle individual labour disputes concerning all categories of employees;
  - b) request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
36. to represent the Company before Social Security and Welfare offices and entities in relation to issues concerning employees of the Company, and also before Trade Unions in negotiations for contracts, agreements and labour disputes, with the power to sign the related documents;



37. to grant and revoke powers of attorney within the sphere of the aforesaid powers, for individual acts or categories of acts, to both employees of the Company and to third parties including legal entities;
38. as far as his authority permits, to decide the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than € 300,000.00 (three hundred thousand euro) for each operation;
39. the Chairman is assigned the powers and responsibilities set forth in EU Regulation 2016/679 (General Data Protection Regulation - GDPR) and Legislative Decree 196 of 30 June 2003 concerning the processing of personal data and privacy, with the power of delegation;
40. the Chairman, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permit, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he:
  - a) ensures that the Risk Committee identifies the main business risks, taking into account the activities carried out by the Company and its subsidiaries, and periodically presents those risks for examination by the Board of Directors;
  - b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency;
  - c) ensures that the system is suited to the dynamics of the operating conditions and of the legislative and regulatory context;
  - d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations;
  - e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions;

In relation to the powers outlined above and in conformity with the provisions of Article 2 of the Code, it is noted that the Board of Directors has granted management authority to the Chairman due to the organisational complexity of the Hera Group and for the purposes of a more efficient achievement of the company's business and strategies. In this regard, according to the organizational structure the President is responsible for Legal and Corporate Central Management, Human Resources and Organization Central Management, External Relations Central Management, Strategy, Regulatory Affairs and Local Authorities Central Management, Corporate Services Central Management and the Investor Relations Department, as well as the businesses related to the activities of the companies Herambiente Spa, Marche Multiservizi Spa and AcegasApsAmga Spa.

### **Chief Executive Officer**

The Board of Directors, at its meetings of 29 April 2020 and 16 December 2020, unanimously passed a resolution to grant the following powers to the Group CEO:

1. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
2. in cases of urgency, in association with the Chairman, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
3. to implement corporate and Group strategies, within the context of the directives established by the Board, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;
4. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
5. to draw up the annual budget to be submitted to the Board of Directors;
6. to be responsible for the organisation of the services and offices under his authority, as well as for the employees working under him;
7. to make monthly reports to the Board of Directors, as far as his authority permits, as regards the specified subsidiary companies;
8. to sign company correspondence and deeds associated with the exercise of the powers attributed to him and the functions he holds;

9. to stipulate, amend and terminate agreements concerning lines of credit or loans of any type and duration involving a cost commitment of up to € 1,000,000.00 (one million euro) for each individual transaction;
10. to open and close current accounts with banks and credit institutions, withdraw sums from the accounts held in the Company's name, issuing for this purpose the relative cheques or equivalent credit documents, and order transfers utilising available funds or lines of current account credit;
11. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts; arrange for the management of activities relating to the collection of sums due and payments by the Company, including the issuing of discharged receipts;
12. to draw bills on customers, endorse also for discount promissory notes, bills and drafts, as well as cheques of any kind, and effect any consequential transaction;
13. to assign receivables and accept the assignment of receivables claimed by Company suppliers (contracts for reverse factoring and/or indirect factoring) without recourse and/or with recourse up to a maximum amount of 250 million euro per transaction and to operate with companies and factoring institutions by signing all related deeds;
14. to actively and passively represent the Company before the Tax Authorities and Commissions of any nature and rank, as well as before the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, Post and Telegraphic Offices; by way of example:
  - a) to sign tax and VAT returns and to fulfil any tax-related obligation;
  - b) to submit reports, motions and appeals, to apply for licences and authorisations;
  - c) to issue receipts, in particular for payment orders in relation to credits subject to factoring operations;
  - d) to perform any transaction at the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, Post and Telegraphic Offices for the shipment, deposit, clearance and collection of goods, credit instruments, parcels and packages, registered and insured letters, issuing receipts for the same;
15. to issue guarantees and grant loans, and sign bank surety agreements up to the value of € 500,000.00 (five hundred thousand euro) for each operation (this limit shall not apply to operations relating to participation in tenders); to issue, accept and endorse credit instruments;
16. to participate, as far as his authority permits, in the capacity of representative of the Company, as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGEIs (European Groups of Economic Interest), consortiums and other entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;
17. to take part, as far as his authority permits, in the Company's name, including in TACs (Temporary Associations of Companies), EGEIs (European Group of Economic Interest), consortiums and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international level, including those eligible for State grants or aid, for the awarding of works, supplies of plant, including "turn-key", and/or of goods and/or studies and/or research and/or services in general for any national, EU or international public or private entity; submit applications for participation as from the pre-qualification stage; submit bids up to an amount of Euro25,000,000.00 (twenty-five million) for each individual transaction - in cases of urgency, the decision concerning amounts exceeding Euro25,000,000.00 (twenty-five million) will be taken in association with the Group CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;
18. as far as his authority permits, to stipulate, amend and terminate commercial agreements with companies and entities;
19. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate purpose - including those relating to know-how, trademarks and patents - also in association with other companies, up to a limit of € 2,000,000.00 (two million euro) for each transaction;
20. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of € 300,000.00 (three hundred thousand euro) for each operation;

21. to conclude transactions up to an amount of € 5,000,000.00 (five million euro) for each individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
22. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in instalments, the payment and to pay out possible damages and waive statutory mortgages, up to a total of € 500.000,00 (five hundred thousand euro) for each operation;
23. to grant and revoke powers of attorney within the sphere of the aforesaid powers, for individual acts or categories of acts, to both employees of the Company and to third parties including legal entities;
24. as far as his authority permits, to decide the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than € 300.000.00 (three hundred thousand euro) for each operation;
25. the CEO is assigned the role of "Employer" pursuant to and for the purposes of Article 2 of Legislative Decree 81 of 9 April 2008 and subsequent amendments and integrations, with the duties provided for therein and with the power to delegate, as far as is permitted by said decree, the performance of any activity useful and/or necessary for ensuring compliance with the provisions of the law, with the exception of the following Sectors/Structures, for which the role of Employer is attributed as indicated below:
  - a) Corporate Systems Central Department: Marcello Guerrini
  - b) Water Department: Susanna Zucchelli
  - c) Environmental Services and Fleets Central Department: Franco Fogacci;
  - d) Innovation Central Department: Salvatore Molè;
  - e) Central Market Department (especially for activities regarding district heating, the Imola cogenerator productive unit and all the plants and activities falling under this authority) Cristian Fabbri;
26. The CEO is responsible for overseeing activities relating to the Register of Freight Carriers, with the power of delegation;
27. The CEO, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permits, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he:
  - a) ensures that the Risk Committee identifies the main business risks, taking into account the activities carried out by the Company and its subsidiaries, and periodically presents those risks for examination by the Board of Directors;
  - b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency;
  - c) ensures that the system is suited to the dynamics of the operating conditions and of the legislative and regulatory context;
  - d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations;
  - e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions;

Analogously to that stated for the Chairman, in compliance with the provisions of article 2 of the Code, it is noted that the Board of Directors has granted management authority to the CEO due to the organisational complexity of the Hera Group and for the purposes of a more efficient achievement of the company's business and strategies. To this end, the organisational structure establishes that the Chief Executive Officer oversees the Administration Central Management, Finance and Control Department, Market Central Department, Networks Central Department, Environmental Services and Fleets Central Department, Shared Value and Sustainability Department, Business Development and Subsidiary Central Management and the "Coordination of Regulated Services and Tariffs" division, as well as the businesses linked to the activities of the companies Uniflotte Srl, Inrete Distribuzione Energia Spa, Heratech Srl, Hera Comm Spa, Hera Trading Srl and Acantho Spa.

## Information to the Board

In conformity with the recommendations of the Code, the delegated bodies report to the Board of Directors and to the Board of Statutory Auditors, at least every three months, on the activities carried out in exercising the powers delegated to them.

The Chairman, so as to guarantee the timeliness and completeness of pre-council briefings, ensures that each director and statutory auditor has at their disposal at least three days before the meeting, with the exception of cases of necessity and urgency, all of the information and documentation necessary for discussing the items on the agenda of the meetings of the Board of Directors, in keeping with the specific procedure shared by the Board of Directors and as provided for by the Regulation on the functioning of the Hera Spa Board of Directors, approved by the Board of Directors on 11 November 2020, in compliance with the provisions of article 3 - recommendation 11 - of the Corporate Governance Code.

Lastly, the Chairman and the CEO ensure that the Board of Directors is also informed on the most important changes in legislation and regulations relating to the Company and the corporate bodies.

## e) Executive Committee

The Board of Directors, appointed during the Shareholders' Meeting of 29 April 2020 and in office until the natural expiration of the administrative body's term, and therefore until the approval of the financial statements as of 31 December 2022, as provided for by Articles 21.3 (iii) and (iv) and 23.3 of the Articles of Association, at its meeting of 13 May 2020, appointed the Executive Committee consisting of the following members: Tomaso Tommasi di Vignano, Chairman of the Executive Committee, Gabriele Giacobazzi, Vice Chairman of the Executive Committee; and Stefano Venier and Alessandro Melcarne, members.

In view of the above, the Executive Committee is made up of the following:

- |                             |   |
|-----------------------------|---|
| ■ Tomaso Tommasi di Vignano | Chairman of the Executive Committee       |
| ■ Gabriele Giacobazzi       | Vice Chairman of the Executive Committee; |
| ■ Stefano Venier            | member of the Executive Committee         |
| ■ Alessandro Melcarne       | member of the Executive Committee         |

With regard to the annual definition of the Group business plan and the budget and to the proposals for the appointment of first level senior executives for each departmental area, the Committee has the task of expressing an opinion prior to presentation to the Board of Directors, and also of deciding:

1. as to contracts and agreements pertaining to the corporate purpose with a value exceeding 2 million euro for each individual contract;
2. in the interests of the Company, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, with a value exceeding 300 thousand euro and up to 1 million euro for each operation;
3. as to the Company's subscription to bodies, associations and entities of a scientific and technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the said entity and where participation in the same involves an outlay of more than 300 thousand euro and up to 1 million euro for each operation;
4. to settle disputes and/or waive credits of an amount exceeding 5 million euro;
5. as to the activation, amendment and termination of contracts for the opening of lines of credit or loans of any type and duration involving a cost commitment of more than 1 million euro and up to 5 million euro for each operation;
6. as to issuing calls for tender and/or the stipulation, amendment and termination of contracts for investments relating to:
  - works and supplies necessary for the transformation and maintenance of properties and plants for an amount exceeding 20 million euro for each operation;
  - purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, with a value exceeding 10 million euro for each operation;

The Committee is also responsible for:

7. examining Audit Reports on a three-monthly basis
8. supervising, in conformity with the system of delegations defined within the Company, the implementation of the action plans arising from the audit reports.

9. examining the reports for the mapping and monitoring of financial risks on a three-monthly basis;

The Executive Committee met seven times in 2020; six sessions were attended by all the members, while one session was attended by almost all the members. The average duration of the meetings of the Executive Committee was approximately one hour.

#### **f) Independent directors**

There are currently 13 independent non-executive members of the Board, Gabriele Giacobazzi, 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, in the sense that they meet the independence requirements set out in the Corporate Governance Code and article 148, paragraph 3 of the TUF.

Specifically, the directors indicated above have stated that:

- they are not significant shareholders of the Company;
- they are not currently, and have not been in the previous three fiscal years, an executive director or employee:
  - of the Company, of a subsidiary with strategic importance or of a company under common control;
  - of a significant shareholder of the Company;
- they do not currently have, nor have they had in the previous three financial years, either directly or indirectly, any significant commercial, financial or professional relationship:
  - with the Company or its subsidiaries, or with its executive officers or top management;
  - with a party who, also together with others through a shareholders' agreement, controls the Company; or, if the controlling party is a company or entity, with its executive directors or top management;
- they do not receive and have not received in the previous three financial years, from the Company, one of its subsidiaries or the parent company, any significant remuneration in addition to the fixed remuneration for the office and that established for participation in internal committees;
- they have not been a director of the Company for more than nine financial years, including non-consecutive ones, in the last 12 financial years;
- they have not held the office of executive director in another company in which an executive director of the Company holds the office of director;
- they are not shareholders or directors of a company or entity belonging to the network of the firm appointed to audit the Company's accounts;
- they are not close relatives of a party in one of the positions described in the previous points;

The independence of the aforementioned directors had already been assessed, at the time of their appointment, by the Board of Directors, which announced the outcome by means of a press release circulated to the market.

The following circumstances do not invalidate the requirements of independence of a director: the appointment of the director by the shareholders or group of shareholders controlling the Company; the holding of the office of director of a subsidiary of the Company and receiving the related remuneration; the holding of the office of member of one of the advisory Committees cited below.

During the 24 March 2021 session, in light of the declarations made by each of the non-executive directors and taking into account that the Board of Directors is not aware of any relationships maintained by the current non-executive directors such as to compromise or condition their independent judgment, the Board of Directors confirmed the assessment of its members' independence.

In this regard, it is specified that Ms. Mondardini has stated that she has a family relationship (cousin) with an employee of Hera Spa, but that she cannot influence, or be influenced by him, in the relationships with Hera and its Group; therefore, the Board believes that the independence requirements are met.

As part of the tasks assigned to it by law, the Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its non-executive members.

During financial year 2020, the independent directors, in compliance with the last paragraph of recommendation 5 of the Corporate Governance Code (and art. 3.C.6 of the Corporate Governance Code, met separately and independently on 2 December 2020.



### Lead independent director

Recommendation 13 of Article 3 of the Corporate Governance Code provides that, if certain conditions are met, at the request of the majority of the independent directors, the board of directors shall appoint an independent director as lead independent director, so that he or she can be the focal point and coordinator of the requests and contributions coming from the non-executive directors and, in particular, the independent directors, coordinating their meetings.

At a meeting held 16 December 2020, the Board of Directors, on the recommendation of the Vice Chairman on behalf of all the independent directors, appointed as lead independent director of the Company the independent director Erwin Paul Walter Rauhe, and he will hold this position until the natural expiry of the administrative body, i.e. until the date the Shareholders' Meeting of Hera approves the financial statements at 31 December 2022.

## 5. Handling of corporate information

For the purposes of governing the communication to the sector Authorities and the public of notices, data and price-sensitive information pertaining to the management and activities carried out, the dissemination of which might have an impact on the processes used for valuing the Company's shares, and consequently, on the levels of demand and supply of those shares, the Board of Directors updated the specific Group procedure by incorporating the legislative innovations effective as of 3 July 2016 introduced by the European legislation on Market abuse regulation (MAR) (EU Regulation 596/2014, Directive 2014/57/EU, EU Implementation Regulations 2016/347 and 2016/1055), as well as the Consob guidelines on the subject issued in October 2017.

This procedure has the aim of:

- I. identifying and ascertaining specific confidential and material information, i.e. information relating to data, events, projects or circumstances that may take on a privileged nature and, consequently, influence the price of Hera shares;
- II. defining procedures for authorization and management within the Group;
- III. governing the procedures for external communication in terms of documentation, notices issued, interviews given, statements made and meetings conducted.

The aforementioned procedure is aimed at identifying the corporate functions that support top management in identifying and consequently mapping the relevant information, as well as the subjects who have access to it and the moment in which such information can take on the character of inside information, based on the assessments made by top management itself.

In compliance with the provisions of the Consob Guidelines, a so-called Relevant Information List (RIL) is drawn up that includes the names of the subjects who have access to the relevant information as identified following the mapping. The RIL stands alongside the already-existing list of people with access to privileged information, the management and storage methods of which were already updated at the time in compliance with the provisions introduced by the MAR (EU Regulation 596/2014, Directive 2014/57 / EU, EU Implementing Regulation 2016/347), which, in particular, expanded the concept of privileged information, establishing that it is information of a precise nature which has not been made public and which directly or indirectly concerns one or more issuers or one or more financial instruments and which, if made public, could have a significant effect on the prices of such financial instruments or on the prices of related financial derivative instruments, and introducing the concept of inside information that is part of a protracted process.

Furthermore, in applying the internal dealing procedure updated by Hera Spa following the entry into force of the MAR (EU Regulation 596/2014, Directive 2014/57 / EU, EU Implementing Regulations 2016/523 and 2016/522 ) relevant subjects, obliged to communicate to Consob the transactions they carry out on the financial instruments of Hera Spa, are considered to include the members of the Board of Directors, the standing auditors, the general managers, and the holders of an equity investment calculated pursuant to article 118 of the Consob Issuers Regulation as equal to at least 10% of the total voting rights that make up the Company's share capital, as well as persons closely associated with them. This procedure governs the timing and methods of communicating the operations carried out by the relevant subjects. Hera S.p.A. has identified the Legal and Corporate Affairs Department as the entity responsible for receiving, managing and disseminating this type of information to the market.

The responsible entity will utilize the External Relations Central Department to disseminate the information to the market.

## 6 Internal Committees of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

The internal committees, established pursuant to the Borsa Italiana Spa's Corporate Governance Code, represent an internal organ of the Board of Directors with the role of consulting and making proposals; information on their composition, evaluated at the time of appointment on the basis of the specific skills and professionalism required, is available on the [www.gruppohera.it](http://www.gruppohera.it) website.

These committees work on the basis of internal regulations and/or communicational rules towards the Board of Directors designed to guarantee correct and efficient operation.

The Board of Directors, renewed on 29 April 2020, redefined the composition of the afore-mentioned committees at its meeting of 13 May 2020.

### a) Appointments Committee

It was decided that the Board of Directors would fulfil the functions of the Appointments Committee, also in view of the fact that the appointment of Board of Directors members is carried out by shareholders through list voting at the Shareholders' meeting.

### b) Remuneration Committee

The Remuneration Committee has the task of periodically assessing the adequacy, overall consistency and effective application of the policy adopted for the remuneration of executive directors and executives with strategic responsibilities, drawing on the information provided by the managing directors to do so. It makes proposals on this matter to the Board of Directors.

The Committee also submits proposals to the Board or expresses opinions on the remuneration of executive directors and other directors holding particular offices as well as the setting of performance objectives related to the variable component of this remuneration; it also monitors the effective achievement of performance objectives.

In the performance of its functions, the Remuneration Committee has access to the information and business functions necessary for carrying out its duties.

This Committee, first set up during the Board meeting held on 4 November 2002 and then renewed on 13 May 2020, is made up exclusively of independent non-executive Directors (Monica Mondardini, Fabio Bacchilega and Alice Vatta), in compliance with the provisions outlined in the Corporate Governance Code in force at the date of appointment, and is chaired by an independent Director (Gabriele Giacobazzi).

Moreover, it should be noted that, when the Committee was last renewed, the Board of Directors acknowledged that principle 6.P.3 of the Code had been complied with, since at least one Committee member had adequate knowledge and experience in financial matters or remuneration policies.

The Chairman of the Board of Directors and the Group CEO may participate in the Committee's activities following an explicit invitation by the Chairman of the Committee.

The Remuneration Committee met five times in 2020; four sessions were attended by all the members, while one session was attended by almost all the members. The average length of the Remuneration Committee meetings, duly recorded in the minutes, was approximately two hours.

During the various meetings the Remuneration Committee held in 2020, it addressed topics relating to the BSC system for Group directors, executives and middle managers, the executive welfare plan, the final balance of 2019 variable remuneration (corporate objectives and welfare component), the final balance of the 2019 variable remuneration for top management, 2020 remuneration policies for directors and executives, and remuneration for top management also with reference to long-term incentives. In addition, as proposed by the Remuneration Committee, with the renewal of the Board of Directors that took place in 2017, a claw-back clause was introduced that provides for ex-post correction mechanisms in the remuneration system for executive directors, as well as a clause which, in the event of resignation, dismissal or termination of the latter, establishes an indemnity in the amount of 18 monthly salaries.

For additional information, please refer to the Report on remuneration policies and compensation paid pursuant to Article 123-ter of the TUF.

### c) Controls and Risks Committee

#### **Composition and functioning of the Controls and Risks Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)**

As established by the Code, the Board of Directors, at its meeting of 4 November 2002, passed a resolution to establish the Internal Controls Committee. Subsequently, during the course of the Company's Board of Directors meeting that took place 17 December 2012, in application of updates to the Code of Self-Discipline, the Internal Control Committee took on the additional function of Risk Management Committee in order to manage the Company's risks and support the administrative body in associated assessments and decisions. This Committee, whose composition was renewed on 13 May 2020, is made up of Gabriele Giacobazzi as Chairman, Erwin Paul Walter Rauhe, Lorenzo Minganti and Paola Gina Maria Schwizer.

On the occasion of the latest renewal of the Committee, the Board of Directors confirmed that principle 7.P.4 of the Corporate Governance Code in force at the time had been complied with.

Finally, the provisions of art. 6 - recommendation 35 of the Corporate Governance Code have been respected, as the Controls and Risks Committee is chaired by an independent director and composed exclusively of independent non-executive directors.

The Controls and Risks Committee met on seven occasions in 2020, and all of the meetings were attended by all members. The average length of the meetings of the Internal Controls Committee, duly recorded in the minutes, was approximately one hour and thirty minutes.

#### **Functions assigned to the Controls and Risks Committee**

The Controls and Risks Committee is tasked with supporting the decisions and assessments of the Board of Directors in relation to the internal control and risk management system and concerning the approval of periodic financial reports through adequate surveying and evaluative activities.

In carrying out its supportive role in relation to the Board of Directors, the Committee therefore expresses its judgment concerning:

- a) the definition of the guidelines of the internal control and risk management system in such a way that the primary risks faced by HERA and its subsidiaries are identified correctly and properly measured, managed and monitored, determining moreover the compatibility criteria of such risks with healthy and proper corporate management;
- b) at least on a bi-annual basis, the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the enterprise and the risk profile it has assumed;
- c) at least on an annual basis, the work plan drafted by the Supervisor of the Internal Auditing Structure in consultation with the Board of Statutory Auditors and the Directors in charge of the internal control and risk management system.

In addition, in order to aid the Board of Directors, the Committee specifically:

- d) together with the Appointed Manager in charge of drafting corporate financial documents and in consultation with the legal auditor and Board of Statutory Auditors, evaluates the proper use of accounting principles and their homogeneity in relation to drafting balance sheets and financial statements more generally;
- e) expresses its judgment regarding specific aspects of the identification of primary corporate risks;
- f) analyses periodic reports concerning the assessment of the internal control and risk management system as well as those drafted on at least a bi-annual basis by the Supervisor of the Internal Auditing Structure;
- g) communicates to the Board of Directors its preventative judgment regarding the proposals developed by the Directors in charge of the internal control and risk management system in relation to measures regarding the appointment and dismissal of the Supervisor of the Internal Auditing Structure, allotting this figure adequate resources for the completion of his or her responsibilities as well as establishing appropriate remuneration in keeping with corporate policies;
- h) monitors the autonomy, effectiveness and efficiency of the Internal Auditing Structure;
- i) evaluates the findings of the Internal Auditing Structure supervisor's reports, of statements from the Board of Statutory Auditors and each of its individual members, of reports and any possible management letters from the Independent Auditor, and of surveys and investigations carried out by other committees of the company and third parties;
- j) may ask the Internal Auditing Structure to perform checks on specific operational areas, contextually communicating the results to the president of the Board of Statutory Auditors;

- k) communicates to the Board of Directors about the activities performed by and the adequacy of the internal control and risk management system at least on the occasion of the annual and bi-annual approval of the financial statement.

During the course of the meetings held during the 2020 financial year, which were duly recorded, the following measures were carried out:

- examining and approving periodic and end-of-term reports;
- holding the induction meeting;
- updating ongoing and completed audits;
- drafting the 2021 Audit Plan and 2021 Budget of the Department of Internal Auditing.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the Chairman and, at the express invitation of the Chairman of the Committee, the Chairman of the Board of Directors and the Group CEO, attend the Committee's meetings.

In the performance of its functions, the Controls and Risks Committee had access to the information and business functions necessary for carrying out its duties.

In relation to FY 2020, and following the quarterly reports released by the Controls and Risks Committee, the Board of Directors has approved the adequacy and efficacy of the internal control and risk management system, including in terms of sustainability, in relation to the features of the company and the type of risk undertaken, also considering its subsidiaries with strategic importance.

#### **d) Ethics and Sustainability Committee**

##### **Composition and functioning**

During its meeting of 12 September 2007, the Board of Directors of Hera S.p.A. established the text of the mission and values and working principles of the Group, and consequently approved the updated version of the Code of Ethics that constitutes a social responsibility tool for the Company in implementing ethical principles inspired by good practices and aimed at the pursuit of the Company's mission.

Therefore, in implementing the aforementioned code, the Board of Directors, in its 8 October 2007 meeting, set up a special Committee made up of three members, at least one of whom is a director of the Company, and two experts on matters of social responsibility and the issues addressed by Legislative Decree 231/01, also highlighting that at least one member must be external.

Subsequently, in its 8 November 2018 meeting, the Hera Board of Directors, in compliance with the provisions of article 4 (Establishment and functioning of the internal committees of the Board of Directors) of the current Corporate Governance Code for listed companies of Borsa Italiana Spa, has deemed it appropriate to assign the Ethics Committee the functions of supervising the sustainability issues connected with exercising company activities and the dynamics of interaction with all stakeholders. It further decided to change the committee's name to the Ethics and Sustainability Committee and to expand its composition, raising the number of members from three to four, including two Directors of Hera Spa.

The Committee, last renewed on 13 May 2020, is therefore composed of two directors of Hera Spa in the persons of Federica Seganti, Chairman, and Alice Vatta, as well as Cristiana Rogate and an executive with expertise in social responsibility.

The Board of Directors of Hera Spa, in its 18 December 2019 meeting, resolved to once again update the code, adopting a fifth edition following a participatory process that involved the top management of Hera and Group employees involved through various corporate communication systems, as well as the Group's social partners. Benchmarking analyses were also carried out on other companies and meetings were held involving Group managers, middle managers and executives as spokespersons to report on previous seminars.

At its 29 July 2020 meeting, the Board of Directors approved a revision to the Ethics and Sustainability Committee Bylaws.

The Ethics and Sustainability Committee met six times in 2020 and all meetings were attended by all members. The average duration of the meetings of the Committee was approximately one hour and forty-five minutes.

##### **Functions of the Ethics and Sustainability Committee**

The Ethics and Sustainability Committee is responsible for monitoring the dissemination and implementation of the code of ethics and for supervising the sustainability-related aspects of the company's activities. In particular, it receives reports of violations of the code and assesses whether or

not to initiate proceedings, monitors the implementation of sustainability policies, formulates, at the request of the Board of Directors, opinions about specific sustainability issues, examines corporate procedures on social and environmental issues and, on a preventive basis, reviews the sustainability report to be submitted to the Board of Directors.

Since 2008, when the code of ethics went into effect, a special confidential, direct channel has been activated between the Committee and any stakeholders interested in reporting any conduct in violation of the code and values promoted by the Group.

In the meetings held during the financial year, the Committee examined the reports it received and the consequent preliminary investigations carried out, assessed the contents of the 2019 Sustainability Report with a focus on the process of achieving conformity with the recommendations of the Task Force on Climate-related Financial Disclosures, prepared the report on the activities of the Ethics Committee for 2019 and the work plan for 2021, examined the process used to approve the Code of Ethics in Groupe companies, carried out an in-depth examination of the activities of the Group's Diversity Management, and assessed the impact of the new CSV framework on the 2020 Sustainability Report.

## 7 Internal Control and Risk Management System

The Internal Control and Risk Management System is integrated into the broader organizational and corporate governance structures adopted by Hera and duly considers the recommendations of the Corporate Governance Code, reference models and best practices at national and international levels.

### Risk Corporate Governance

Hera's organizational structure is designed for optimal management of any risk exposure arising from its business; it benefits from an integrated approach, aimed to uphold management effectiveness and profitability across the entire value chain.

The corporate governance system for risk management implemented by the Group enables organisational strategies to be handled uniformly and consistently (Enterprise risk management).

For a more detailed description, please refer to the Management Report.

### The Risk Committee

The Risk Committee, first established in 2011, is composed of the Executive Chairman, the Vice Chairman and the CEO of Hera Spa, the Central Director of Administration, Finance and Control, the Market Central Director and the Enterprise risk manager. Furthermore, in relation to specific pertaining issues, the Central Director of Legal and Corporate Affairs, the Central Director of Corporate Services, the Central Director of Innovation and the CEO of Hera Trading Srl are also expected to attend.

The significant risks dealt with by the Risk Committee comprise the following areas: strategic, economic, financial, regulatory, competitive, technological, environmental and those related to human capital.

In 2020, the Risk Committee met four times and provided information on risk management to the Board of Directors at meetings on 19 February and 29 July 2020.

### The Group's risk management structure

In the overall design of the risk management process, Hera has adopted a structured approach that mirrors industry best practices, through the introduction of Enterprise risk management (ERM). This stance is aimed at formulating a systematic and coherent approach to the control and management of risks and creating an effective model of direction, monitoring and Appointments so as to ensure management processes are appropriate and consistent with the objectives set by top management.

For a more detailed description of the fundamental elements of the risk management framework, please refer to the Management Report.

On 20 January 2016, the first ERM report was presented to the Board of Directors with a mapping of the Group's risks, accompanied by the appropriate assessment measures for each individual and consolidated risk (impact, probability, severity, control levels). At that time, the Board of Directors approved the Hera Group risk management policy Guidelines and risk limits for 2016.

On 15 February 2017, the second ERM report was presented to the Board of Directors that extended the perimeter of reference and the set and types of risks subject to control. On the same occasion, the limits for 2017 and updating of the Hera Group risk management policy Guidelines were approved.

On 27 September 2017, information was presented to the Board of Directors regarding risk management activities within the Group.



In particular, the following pertinent issues were addressed:

- the lines of defence against risks and the structure of governance;
- Compliance with Law 262/2005 and compliance with Legislative Decree 231/2001, clarifying the role of the Financial Reporting Manager and the Supervisory Body in their respective reports to the Board of Directors;
- risk management governance, clarifying the role of the Risk Committee, in particular in conveying information flows to the Board of Directors, the Board of Statutory Auditors, and the Control and Risk Committee and Internal Auditing, and the governance system implemented through the adoption of the ERM with its assignment of the role of strategic direction to the Board of Directors, which is responsible for deciding on the Group's risk profile and approving the Hera Group risk management policy Guidelines.

The ERM report has been presented to the Board in subsequent years as well.

On 10 January 2020, the fifth ERM report was presented to the Board of Directors with an expansion of the reference perimeter and the set of risks subject to control and backtesting of the risks relating to the previous ERM analysis. The risk limits for the year 2020 were also approved, as was the update of the Hera Group risk management policy guidelines. On 25 March 2020, the group's crisis management model, the activities carried out and the planned development plan were presented to the Board of Directors.

On 13 January 2021 the sixth ERM report was presented to the Board of Directors; in addition to the previous edition, this report introduced a risk analysis of the Covid-19 pandemic and carried out a comparative analysis of the Group's risks with respect to the proposed reference model of the World Economic Forum's 2020 Global Risk Report, highlighting similarities and specific features.

#### **a) The risk management and internal control system in relation to the financial information process**

##### **Introduction**

The internal control and risk management system specific to financial reporting is designed to ensure the reliability, accuracy and timeliness of company information on financial statements and the ability of the relevant business processes to produce such information in accordance with the Group's accounting principles.

The internal control and risk management system in relation to Hera's financial information process is inspired by the CoSO Framework (issued by the Committee of Sponsoring Organizations of the Treadway Commission), an internationally recognized model.

The definition of the internal control and risk management system was established in keeping with applicable norms and regulations:

- Legislative Decree no. 58 of 24 February 1998 and subsequent amendments and additions - article 154-bis of the TUF;
- Law 262 of 28 December 2005 (and subsequent amendments and additions, including the Legislative Decree to assimilate Directive 2004/109/CE regarding the harmonisation of transparency requirements for information on listed companies, approved on 30 October 2007, in relation to the drafting of corporate financial documents;
- Consob Issuers' Regulation of 4 May 2007 Statement of the Appointed Manager in charge of drafting corporate financial documents and of the designated administrative authorities in relation to financial and consolidated financial statements as well as to the biannual report, in compliance with article 154-bis of the TUF;
- Consob Issuers' Regulation of 6 April 2009 Assimilation of the Transparency Directive 2004/109/CE concerning the harmonization of transparency requirements in relation to information about the issuers whose movable value are permitted to enter negotiations in a regulated market, modifying directive 2001/34/EC;
- The Civil Code, which extends responsibility in corporate management (Article 2434 of the Italian Civil Code), the offence of misconduct following the giving or promising of a benefit (arts. 2635 and 2635 Bis c.c.) and for the crime of obstructing the functions of public and surveillance authorities (Article 2638 c.c.) to the Appointed Managers in charge of drafting corporate financial documents;
- Legislative Decree no. 231/2001 that references the above-mentioned regulations of the Civil Code and the administrative responsibility of legal subjects for crimes committed against the Public Administration and includes the Appointed Manager in charge of drafting corporate financial documents among the Apical Subjects.

Moreover, in the implementation of the system, the Group has taken under consideration the recommendations provided by some authorities in the sector (Andaf, AIIA and Confindustria) concerning the activities of the Appointed Manager.

### **Description of the primary features of the internal control and risk management system in relation to the financial information process**

As part of the internal control and risk management system pertaining to the financial information process, the Appointed Manager has set up an administrative and financial control Model - Regulation of the Appointed Manager for drafting corporate financial documents (hereafter also "the Model") approved by the Hera spa Board of Directors in the meeting held 27 May 2018, outlining the adopted method and associated roles and responsibilities in relation to defining, implementing, monitoring and updating the financial-administrative procedural system over time and in assessing its adequacy and effectiveness.

Hera's administrative and financial control Model defines a methodological approach for the internal control and risk management system in relation to financial information processes that is structured through the following steps:

- Risk assessment for the identification, updating and evaluation of risks regarding company information;
- identifying controls and updates for financial-administrative procedures in view of the identified risks;
- Evaluating the identified risks.

#### **Step 1: Risk Assessment**

represents the process of identifying and/or updating the risks connected to the financial statement (risks of unintentional errors or fraud) that might have an effect on the financial statement, and is carried out under the supervision of the Appointed Manager, at least on an annual basis.

This process aims at identifying the set of objectives that the system seeks to pursue in order to ensure a truthful and accurate representation. Risk Assessments, carried out according to a top-down approach, concentrates on those areas of the financial statement wherein potential effects on financial information have been located in relation to the failure to achieve these control objectives.

As part of the process of Risk Assessment, the following tasks are carried out:

- identifying and/or updating the Group companies considered relevant in view of the proper functioning of the Group's control system for corporate reporting;
- verifying and/or updating the list of corporate processes that have been identified as relevant in view of the proper functioning of the Group's financial and administrative control system;
- reviewing the overall adequacy of the current financial and administrative control model.

The process for determining the scope of the Companies and relevant processes in terms of their potential impact on the financial statement is aimed at identifying the Subsidiary Companies, the accounts and processes associated with them, and any other financial information considered to be relevant. The evaluations are carried out using both quantitative standards and qualitative parameters.

#### **Step 2: Identifying controls and updates for the financial-administrative procedures**

An identification of the necessary checks for mitigating the risks that were identified in the previous step is carried out taking into consideration the control objectives associated with the financial statement.

Based on the above, Hera Spa has established an internal control system under which the directors of corporate functions verify the design and operating effectiveness of control activities at least annually, each for the areas under his or her jurisdiction.

The results of periodical updates applied to procedures and associated controls are communicated to the Appointed Manager by the directors of corporate departments. The directors of corporate departments provide for updating/modifying the financial-administrative procedures in relation to the areas under their managerial responsibility at least annually.

### **Step 3: Periodic evaluation of financial-administrative procedures and the controls they contain**

The identified controls are periodically assessed in terms of their adequacy and actual effectiveness through specific testing activities according to the best practices established for the area in question.

In the course of these activities, the Appointed Manager evaluates at each given time what degree of involvement, of the directors of corporate departments and of contact persons within the Subsidiary Companies, is necessary for carrying out assessment activities.

On a bi-annual basis, the Hera Spa Appointed Manager and CEO receive specific internal statements from Hera Group subsidiary companies and relevant connected companies in reference to the completeness and reliability of information flows for the purposes of financial reporting.

On a bi-annual basis, the Appointed Manager defines a series of reports synthesizing the results of the assessments of controls in relation to the risks previously identified on the basis of the outcomes of the monitoring activities performed.

After having been shared with the CEO, the prepared Executive Summary is communicated to Hera Spa's Board of Statutory Auditors, the Controls and Risks Committee and the Board of Directors.

### **Roles and functions involved**

The internal control and risk management system concerning financial reporting is governed by the Appointed Manager in charge of drafting corporate financial documents who, in agreement with the CEO, is responsible for planning, implementing, monitoring, and updating the financial and administrative control Model over time.

In performing his or her activities, the Appointed Manager:

- is supported by a specific function called Compliance 262, part of the staff of the Administration, Finance and Control Group Director, established by SO no. 49 of 30 October 2013 and with effect from 1 November 2013;
- is supported by the directors of corporate departments who, within their areas of responsibility, ensure the completeness and reliability of information flows directed toward the Appointed Manager for the purposes of preparing the financial reporting documents;
- coordinates the activities of the Administrative Managers of the relevant subsidiaries who are tasked with implementing, within their companies, and together with the delegated bodies, an adequate financial control system to safeguard the administrative-financial processes;
- initiates a reciprocal information exchange with the Controls and Risks Committee and the Board of Directors, communicating about the activities performed and the adequacy of the financial and administrative control system.

Lastly, the Board of Statutory Auditors and Supervisory Board are informed about the adequacy and reliability of the financial-administrative system.

### **b) Administrator in charge of the internal control and risk management system**

Most recently with the resolution of 29 April 2020, the Hera Spa Board of Directors has set forth that, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, the Chairman and CEO are charged, as far as their authority permits, with establishing and maintaining the Internal Control and Risk Management Systems.

The Executive Chairman and CEO, in keeping with their mandates:

- ensure that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically present those risks for examination by the Board of Directors,
- implement the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their appropriateness, effectiveness and efficiency,

The corporate heads may request that the Internal Auditing Manager carry out operations concerning risk assessment on specific operational areas and compliance with internal rules and procedures in carrying out corporate operations.

### c) Internal auditing department manager

The Internal Auditing Manager reports to the Vice Chairman.

The Internal Auditing department provides a report on its activities, whenever it is considered necessary, to the CEO, the Chairman of the Board of Directors, the Internal Controls and Risk Management Committee and the Board of Statutory Auditors. It is hierarchically independent of the heads of operational divisions and may have direct access to all information necessary for the performance of its duties.

Through the establishment of an adequate Risk Assessment and three-yearly Audit Plan:

- provides a synthetic and comparative assessment of the primary risk areas and associated control systems, performing updates through the meetings that take place with management;
- according to the varying level of risk of corporate processes, prioritizes the duties of the Internal Auditing department.

### d) Organisational model pursuant to Legislative Decree no. 231/2001

Legislative Decree 231/2001 introduced into Italian legislation the administrative responsibility of legal entities, companies and associations. In particular, the law introduced the criminal liability of entities for certain offences committed in the interest or to the advantage of those entities by persons fulfilling roles of representation, administration or management of the entity or of one of its organisational units with financial and operational independence, or by persons who exercise management and control thereof, including on a de facto basis, and lastly, by persons subject to the direction or supervision of one of the above-mentioned parties. Significant offences are those committed against Public Administration and corporate offences committed in the interest of the companies.

However, Articles 6 and 7 of Legislative Decree no. 231/2001 provide for a form of exoneration from liability where (i) the entity proves that it adopted and efficiently implemented, prior to the commission of the act, appropriate organisational, management and control models for preventing the perpetration of the offences considered by the said decree; and (ii) the duty of supervising the functioning of and compliance with the models, as well as providing for their updating, is entrusted to a body of the entity that is vested with autonomous powers of initiative and control.

To this end, on 16 February 2004, the Board of Directors of Hera S.p.A. approved and subsequently updated, also in the light of the provisions introduced by Legislative Decree no. 81/2008 as well as Legislative Decree no. 97/2016, the organisational, management and control model pursuant to Legislative Decree no. 231/2001, with the aim of creating a structured and organic system of control procedures and activities to prevent commission of the offences referred to in the aforementioned decree, by identifying the activities exposed to a risk of offence and implementing suitable procedures for those activities.

At present, the organisational, management and control model pursuant to Legislative Decree no. 231/2001 includes 26 protocols, implemented over time and relating to individual sensitive areas, which aim to ensure transparency and a sense of responsibility in internal relations and with the outside world. For each process at risk, the protocols identify principles, roles and responsibilities to be followed in managing the activities and define the periodic information flows used to control them.

Each protocol ensures that the Supervisory Body engages in constant monitoring of activities at risk.

The procedures adopted incorporate the principles of the code of ethics in order to guide Group management according to the values and operating principles defined in the Charter of Values.

Risk factors and critical issues were identified and weighed through risk assessments carried out on the Group's business areas and infrastructure processes. The specific risks inherent in these 231 areas are defined by the Supervisory Body in an annual auditing plan that takes into account risk assessments, the coverage of new processes, regulatory developments and the extension of the scope of activities of Group companies.

The model involves establishing an ongoing legal compliance check, drafting the Audit Report on the effective implementation of the protocols in Group companies falling within the 231 perimeter, providing assistance with drafting re-entry plans in adopting the recommendations outlined in the report, and carrying out specific follow-ups to verify that re-entry plans have been implemented and the critical points highlighted have actually been resolved.

The model entails an informative and training component that targets the subjects involved in sensitive processes in order to raise awareness about prohibited and mandatory behaviours, create awareness of the related ethical behaviours and promote a Group culture for managing corporate risks.

An integral part of the model is the Supervisory Body's bi-annual examination of the information flows concerning activities at risk.

The risk analysis document with its related audit plan is drawn up for the whole Group every three years, the last of which refers to the period 2019-2021.

The organisational, management and control model pursuant to Legislative Decree no. 231/2001 has also been adopted by subsidiaries with strategic importance.

The Board of Directors has also instituted the Supervisory Body, approving its regulations:

This body, renewed most recently on 13 May 2020 and currently made up of an external member with the role of Chairman, the Legal and Corporate Central Director of Hera Spa, and the Internal Auditing Director of Hera Spa, has the specific task of periodically reporting to the corporate bodies of the Parent Company regarding implementation of the organizational model pursuant to Legislative Decree 231/2001 and will remain in office until the date of the Shareholders' Meeting approving the financial statements as of 31 December 2022.

The Supervisory Body met on 6 occasions in 2020 and all these meetings were attended by all the members. The average length of the meetings of the Supervisory Body was approximately one hour.

The Supervisory Body approved and updated the 231 protocols that make up the organizational model, examined the system of information flows that allow it to supervise the functioning and observance of the models and examined reports made following audits, as well as consulting legislative developments pursuant to Legislative Decree 231/2001 and planning additional activities.

In addition to the aforementioned meetings, the Supervisory Body also met another time to meet with the Hera Spa Board of Statutory Auditors.

In order to carry out the checks and controls, the Supervisory Body drew up a schedule of measures for verifying compliance with the protocols adopted.

### **Corruption prevention model**

In the course of 2019, Hera Spa obtained the ISO 37001 certification for corruption prevention, the validity of which was confirmed by the Certifying Body following the maintenance audit carried out in September 2020. The Hera Group has consequently adopted a management system for corruption prevention that is integrated into the organization, management and control model pursuant to Legislative Decree 231/01, the foundations of which are rooted in the principles and values expressed in the code of ethics and in the quality and sustainability policy.

Along these lines, the Group has set up a model for corruption prevention which involves establishing a Compliance Department for the prevention of corruption that coincides with the Supervisory Body, to oversee the management system for preventing corruption.

The main responsibilities/functions of the Corruption Prevention Compliance Department are:

- a) overseeing the design and implementation of the management system for the prevention of corruption;
- b) providing advice and guidance to staff (defined as employees at all levels and subjects entrusted with positions of collaboration, including internships and traineeships) about the management system for preventing corruption and corruption issues;
- c) ensuring that the management system for corruption prevention complies with the requirements of UNI ISO 37001;
- d) duly reporting on the functioning of the management system for corruption prevention to the Board of Directors and top management.

Hera Group top management and management staff are personally committed to respecting the model for corruption prevention, including by carrying out awareness-raising and dissemination activities for the principles of the rules aimed at preventing corrupt acts in their own departments.

The corruption prevention model concerns everyone who works for the Hera Group.

In 2019 the Hera Group also approved the procedure for defining the "whistleblowing" system aimed at preventing the risk of crimes and combating possible violations and fostering the culture of ethics and legality.

### **e) Independent Auditors**

The Hera Spa Shareholders' meeting of 23 April 2014 appointed Deloitte & Touche Spa to the role of independent auditor for the 2015-2023 financial years.



#### **f) Appointed Manager in charge of drafting corporate financial reports and other corporate roles and functions**

In compliance with the provisions of the TUF and the Company's Articles of Association, in consultation with the Board of Statutory Auditors, the Board of Directors resolved on 1 October 2014 to appoint Luca Moroni to the role of Finance and Control Administration Central Director, in the post of Appointed Manager in charge of drafting corporate financial reports. He is in possession of the professional qualifications set forth in Article 29 of the Company's Articles of Association, in compliance with the TUF (Article 154-bis, paragraph 1).

The Appointed Manager is tasked with establishing adequate financial and administrative procedures for the creation of the financial statement and consolidated financial statement as well as any other financial communication. To this end, the Appointed Manager will have access to a dedicated budget approved by the Board of Directors and an adequate organizational structure (in terms of quantity and quality of resources) dedicated to the preparation/updating of financial-administrative procedures and periodical assessment activities concerning the suitability and actual application of financial-administrative rules and procedures. If the internal resources prove to be insufficient for the suitable management of these activities, the Appointed Manager is permitted to exercise the power of expenditure granted to him or her.

The Board of Directors verify that the Appointed Manager has access to adequate powers and means to carry out the tasks entrusted to him or her by TUF (Article 154-bis), and also monitor that financial and administrative procedures are being followed.

The Appointed Manager communicates and exchanges information with all the administrative and control bodies of the Company and of the Group's subsidiaries, including but not limited to:

- the Board of Directors;
- the Controls and Risks Committee;
- The directors in charge of the internal control and risk management system;
- the Board of Statutory Auditors;
- the Independent Auditor;
- the Supervisory Body pursuant to Legislative Decree no. 231/01;
- the Internal Auditing Manager;
- the Investor Relations Manager.

#### **g) Coordination among the subjects involved in the internal control and risk management system.**

The Issuer has established the following systematic coordination modes for the various subjects involved in the internal control and risk management system:

- periodic coordination meetings focused in particular on the process of drafting financial information and the activities of assessing, monitoring and containing (economic-financial, operational and compliance) risks;
- information flows among the subjects involved in the internal control and risk management system;
- periodic reports to the Board of Directors;
- establishment of a Risk Committee with the aim of outlining guidelines for monitoring and informing about risk management strategies.

In particular, the following types of coordination meeting are specified:

- the Board of Statutory Auditors with the Controls and Risks Committee, the Independent Auditor, the Appointed Manager in charge of drafting corporate financial reports, and the Internal Auditing Manager;
- the Board of Statutory Auditors with the Supervisory Board pursuant to Legislative Decree 231;
- the directors in charge of the internal control and risk management system with the Chairman of the Controls and Risks Committee.

## **8 Directors' interests in and transactions with related parties**

At its meeting of 10 October 2006, the Board of Directors of Hera S.p.A. approved, in compliance with Articles 1 and 9 of the then-in force Corporate Governance Code, guidelines for significant transactions, transactions with related parties and transactions in which a director has an interest (Guidelines), in order to ensure that these transactions are conducted transparently and in conformity with the criteria of substantive and procedural correctness.

Subsequently, the Board of Directors of Hera S.p.A. approved the new procedure for transactions with Related Parties (Procedure) in compliance with the provisions of the Consob Regulation adopted by

virtue of Resolution no. 17221 of 12 March 2010 and subsequent amendments and integrations thereto ("Consob Regulation"), later updated on 21 December 2015.

The Procedure cancels and completely replaces the rules on transactions with Related Parties contained in the Guidelines, but there is no change to the existing rules set out in the Guidelines concerning significant transactions and transactions in which a director has an interest.

In the Procedure, the Board of Directors fully adopted the definitions of Related Parties and Transactions with Related Parties, as well as all the directly associated definitions, contained in the Consob Regulation and its annexes.

In particular, the following were identified:

1) the types of transactions with related parties outlined in the Procedure:

- Transactions of Major Importance, that is, transactions in which at least one of the indices of importance determined by the Consob Regulation exceeds the threshold of 5%;
- Transactions of Minor Importance, that is transactions with Related Parties that are neither of Major Importance nor of Negligible Amount;
- framework resolutions, that is, that series of transactions with Related Parties;
- Ordinary Transactions, that is, transactions which (a) fall within the ordinary conduct of the company's operating activities or associated financial activities; and (b) are carried out under conditions: (i) similar to those normally applied to unrelated parties for transactions of a comparable nature, scale and risk, (ii) based on regularly applied tariffs or established prices, or (iii) comparable with those applied to parties with whom the company is legally obliged to deal for a determined amount;
- Transactions of negligible amount, that is, transactions for which the maximum foreseeable amount of the consideration or of the value of the service does not exceed the sum of 1 million euro for each transaction;
- Transactions with Related Parties carried out by subsidiaries;

2) the approval process for transactions of major and minor importance, depending on whether they involve:

- transactions of minor importance falling within the competence of the Board of Directors, which are approved by the Board of Directors after hearing the reasoned but non-binding opinion of the Committee for transactions with related parties (hereinafter referred to as the Committee) regarding the interest, appropriateness and substantive correctness of the transaction;
- transactions of major importance falling with the competence of the Board of Directors, in which the Committee must be involved in the negotiation and investigation phases and in which the transaction may be approved following the receipt of a reasoned favourable opinion from the Committee regarding the interest, appropriateness and substantive correctness of the transaction, that is following a vote in favour by a majority of the independent directors;
- transactions of minor and major importance falling with the competence of the Shareholders' Meeting, for which the proposals must follow the same procedure as that for transactions falling with the competence of the Board of Directors, as described in the previous two points, and which must in any event receive a favourable opinion from the Committee.

The Procedure provides that the Committee charged with guaranteeing, by issuing specific opinions, the substantive correctness of dealings with Related Parties, must be in agreement with the Control and Risks Committee.

The Procedure also identifies the cases to which the Procedure does not apply, as well as governing the procedures for communication with the public on the transactions carried out.

Beginning May 2014, a specific Operational Guideline was applied by Hera and its subsidiaries and subsequently updated on 31 May 2016, in order to detail the information reported in the Procedure and outline the rules, roles and responsibilities, as well as operational activities, implemented by the company.

An updating of the Procedure is scheduled by June 2021 in order to adapt it to the amendments – introduced by Consob Resolution no. 21624 of 10 December 2020 – to the Consob Regulation on Related Party transactions adopted by Resolution no. 17221 of 12 March 2010, amendments that will take effect from 1 July 2021.

## 9 Appointment of the statutory auditors

### List voting

The auditors are appointed by the shareholders' meeting on the basis of the voting list system set forth in Article 26 of the Articles of Association, as modified by the Extraordinary Shareholders' Meeting of 29 April 2020, in implementation of Law 160 of 27 December 2019 and the subsequent Consob Communication 1 of 30 January 2020, in order to ensure that the minority is able to appoint a standing auditor with the function of Chairman as well as an alternate auditor, in compliance with current legislation on gender balance.

In accordance with Article 25 of the Articles of Association, the office of Statutory Auditor is incompatible with the offices of councillor or alderman in regional public authorities, as well as with that of Statutory Auditor in more than three listed companies other than subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code and Article 93 of Legislative Decree no. 58/98. In the latter case, a Statutory Auditor who subsequently exceeds this limit will automatically forfeit the office of Statutory Auditor of the Company.

Article 26 of the Articles of Association governs the terms and conditions for filing and publishing lists, as well as the related documentation, in compliance with current regulations.

The lists must be delivered to the registered office at least 25 days before the date set for the meeting, together with the curriculum vitae of the candidates and a declaration from each individual candidates stating that he or she accepts the office and certifying that there are no causes of ineligibility, incompatibility or revocation as established by law, and the existence of the requirements of integrity and professionalism required by law for members of the Board of Statutory Auditors.

Article 25 of the Articles of Association establishes that, for the purposes of the provisions of legislation in force concerning the requirements of professionalism for members of the Board of Statutory Auditors of listed companies, business matters and sectors strictly pertaining to the activities performed by the Company means the business matters and sectors associated with or pertaining to the activity performed by the Company and cited in Article 4 of the Articles of Association.

The lists must also be accompanied by a statement certifying that there are no agreements or connections of any kind with other shareholders who have presented other lists, and a list of the administrative and control positions held by the candidates in other companies. These lists must be made available to the public at the registered offices and on the website [www.gruppohera.it](http://www.gruppohera.it), no less than 21 days prior to the date of the Shareholders' Meeting.

The terms and conditions for the filing of lists are indicated by the Company in the Shareholders' Meeting notice of call. Each shareholder may submit or participate in the submission of only one list. In the event this rule is violated, the shareholders' vote is not taken into account with respect to any of the lists presented. Each person entitled to vote may vote for only one list.

### Eligibility to submit lists and their composition

Shareholders who alone or together with other shareholders represent at least 1% of the share capital with voting rights in the ordinary shareholders' meeting, or the alternative percentage required by current legislation and indicated in the notice of call, may submit lists.

In this regard, it should be noted that, on the occasion of the last renewal of the Board of Statutory Auditors which took place at the Shareholders' Meeting of 29 April 2020, the shareholding required for presenting lists of candidates for the election of the sitting control body was identified by Consob (through Resolution 28 of 30 January 2020) in the amount of 1%, equal to the percentage provided for in article 26.2 of the current Articles of Association.

In particular, (i) municipalities, provinces and consortia constituted pursuant to Article 31 of Legislative Decree no. 267/2000 or other entities or public authorities, as well as consortia or joint-stock companies controlled, directly or indirectly, by these may present a single list and (ii) the shareholders not indicated in (i) may submit lists provided that they represent at least 1% of the shares with voting rights or the percentage established by current regulation and indicated in the notice concerning the meeting.

In order to demonstrate ownership of the number of shares necessary for presenting lists, shareholders must file the appropriate certification proving ownership of the number of shares represented at the registered office within the deadline set by the Company for posting the lists.

The lists contain a number of candidates not exceeding the number of members to be elected, listed by means of progressive numbering. Each candidate may appear on only one list under penalty of ineligibility. Each list must contain a number of candidates belonging to the less- represented gender that

ensures compliance with the balance between genders, at least to the minimum extent required by current legislation, including regulations.

### **Appointment mechanism**

The members of the Supervisory Body are appointed in accordance with the provisions of Article 26 of the Articles of Association:

- The Board of Statutory Auditors comprises three standing members and two alternate members.
- two standing auditors and one alternate auditor will be taken from the list that obtains the highest number of votes cast by the shareholders, in the progressive order in which they are listed, of which at least one standing auditor of the less-represented gender;
- the third standing auditor and the other alternate auditor will be taken from the other lists, electing respectively the first and second candidates on the list that receive the second highest number of votes, of which at least one alternate auditor to be of the less-represented gender. In the event of a tie between two or more lists, the oldest candidate will be elected as statutory auditor, in compliance with the gender balance required by applicable legislation, including regulations;
- If the list voting system does not ensure the minimum number of standing and alternate auditors of the less-represented gender required by law, the candidate of the most represented gender positioned last on the list of candidates elected from the list with the highest number of votes shall be replaced by the candidate of the less-represented gender who was positioned first among the non-elected candidates on the same list and so on, up to the minimum number of directors belonging to the less-represented gender. If the minimum number of directors belonging to the less-represented gender still has not been reached even after applying this criterion, the replacement criterion indicated will be applied to the minority lists, starting from the list that received the highest number of votes.
- the Board of Statutory Auditors is chaired by the first candidate on the list obtaining the second highest percentage of votes. In the event of a tie between two or more lists, the oldest candidate will be elected as statutory auditor, in compliance with the gender balance required by current legislation, including regulations;
- for the appointment of statutory auditors who for whatever reason are not appointed by the list voting procedure, the shareholders' meeting resolves with the majorities required by law, in compliance with the gender balance required by applicable legislation, including regulations.

### **Replacing members of the Board of Statutory Auditors**

In the event of the replacement of a sitting Statutory Auditor, he or she will be succeeded by the alternate Auditor belonging to the same list as the Auditor to be replaced, respecting the principles of minority representation and gender balance.

The appointment of auditors to round out the Board of Statutory Auditors, pursuant to article 2401 of the Civil Code, will be carried out by the shareholders' meeting with the majorities provided for by the law, from among the names submitted by the same shareholders presenting the list to which the auditor who left the office belonged, in compliance with the principle of necessary representation of minorities and gender balance; where this is not possible, the shareholders' meeting will have to proceed with the replacement with the majorities required by law, in compliance with the gender balance rules set forth by applicable legislation, including regulations.

### **Composition and functioning of the Board of Statutory Auditors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)**

The Shareholders' Meeting of 29 April 2020 appointed a Board of Statutory Auditors made up of three standing members and two alternates, currently in office until the approval of the financial statements for the 2022 financial year, the composition of which complies with applicable regulations regarding gender balance.

This appointment was made through the list voting mechanism, in order to guarantee the minority lists the right to appoint a standing auditor, with the function of Chairman, and an alternate auditor.

At the Shareholders' Meeting of 29 April 2020 mentioned above, three lists of candidates were presented, listed below along with an indication of their proposing Shareholders:

**List no. 1**, presented on 30 March 2020 by the shareholders Municipality of Bologna, Municipality of Casalecchio di Reno, Municipality of Cesena, Municipality of Modena, Municipality of Padova, Municipality of Trieste, Municipality of Udine, Con.Ami, Holding Ferrara Servizi Srl, Ravenna Holding Spa and Rimini Holding Spa, who, together with 107 other public shareholders, were at the time parties

to the “Shareholders’ Agreement on Voting and Share Transfer Rules” of 26 June 2018, and who together hold 619,396,602 Hera shares, corresponding to 41.58% of the voting shares of Hera S.p.A., a list that obtained 1,261,463,415 voting rights, equal to 67.012602% of the total voting shares present, containing the names, in ranked order, of the following candidates:

#### **Standing Auditors**

1. Marianna Girolomini
2. Antonio Gaiani

#### **Alternate Auditors**

1. Valeria Bortolotti

**List no. 2**, submitted on 2 April 2020 by the shareholder Gruppo Società Gas Rimini Spa, holder of 30,771,269 Hera shares, corresponding to 2.065825% of the shares with voting rights of Hera Spa, a list that obtained 167,995,865 voting rights, corresponding to 8.924428% of the total voting shares present, containing the names, in ranked order, of the following candidates:

#### **Standing Auditors**

1. Elisabetta Baldazzi

#### **Alternate Auditors**

1. Alessandro Levoni

**List no. 3**, submitted on 3 April 2020 by Studio Trevisan & Associati on behalf of the shareholders Amundi Luxembourg SA - Amundi European Equity Small Cap; Amundi Asset Management SGR Spa manager of the funds: Amundi Dividendo Italia, Amundi Risparmio Italia, Amundi Sviluppo Italia; APG Asset Management N.V, manager of the funds: Stichting Depositary APG Developed Markets Equity Pool, Stichting Depositary APG Developed Markets Equity Minimum Volatility Pool; ARCA Fondi SGR Spa manager of the fund: Arca Azioni Italia; Etica SGR Spa manager of the funds: Etica Rendita Bilanciato, Etica Obbligazionario Misto, Etica Bilanciato, Etica Azionario; Eurizon Capital SGR Spa manager of the funds: Eurizon Progetto Italia 70, Eurizon Azioni Italia, Eurizon PIR Italia Azioni, Eurizon Progetto Italia 40; Eurizon Capital S. A. manager of the fund Eurizon Fund, section Italian Equity Opportunities; Fideuram Asset Management Ireland manager of the fund Fonditalia Equity Italy; Fideuram Investimenti SGR Spa manager of the funds: Fideuram Italia, Piano Azioni Italia, Piano Bilanciato Italia 50; Interfund Sicav - Interfund Equity Italy; Kairos Partners SGR Spa management company of Kairos International Sicav comparti: Italy, Target Italy Alpha; Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SGR Spa manager of the funds: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Sviluppo Italia; Mediolanum International Funds Limited - Challenge Funds - Challenge Italian Equity; Pramerica SGR Spa - Pramerica Sicav comparti Italian Equity and Clean Water, together the holders of 26,928,425 Hera shares, corresponding to 1.80784% of the Hera Spa shares with voting rights, a list that obtained 393,771,370 voting rights, corresponding to 20.918279% of the total number of voting rights present, containing the names, in ranked order, of the following candidates:

#### **Standing Auditors**

1. Myriam Amato

#### **Alternate Auditors**

1. Stefano Gnocchi

Following the shareholders’ meeting vote, the Supervisory Body was composed as follows:

- |                        |                     |
|------------------------|---------------------|
| 1. Myriam Amato        | - Chairman          |
| 2. Marianna Girolomini | - Standing Auditor  |
| 3. Antonio Gaiani      | - Standing Auditor  |
| 4. Valeria Bortolotti  | - Alternate Auditor |
| 5. Stefano Gnocchi     | - Alternate Auditor |



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

For the current composition of the Board of Statutory Auditors please see Table 2, noting that the personal and professional details of each member are available on the website [www.gruppophera.it](http://www.gruppophera.it)

On 10 March 2021, the Board of Statutory Auditors carried out its own self-assessment, based on an analysis of the subjective suitability of each of the members with reference to the requirements of professionalism, competence, integrity and gender, as required by current legislation, as well as the proper functioning of the board.

For the purposes of the aforementioned self-assessment, the Board carried out information-gathering and evaluations by requesting its members to provide information and data relating to qualitative, quantitative and operational profiles.

Specifically, it:

- verified that its members meet the requirements of independence, integrity, professionalism, competence and experience;
- assessed the adequate availability of time and resources to carry out the assignment, compliance with the limit on the number of offices held, as well as the adequacy of its composition with reference to the gender balance and age of its members.

With regard to overall operations, the Board of Statutory Auditors has assessed the following as satisfactory:

- the running of meetings;
- the activities carried out by the Chairman;
- the exchange of relevant corporate information (with auditing firms, the Supervisory Board, the Internal Auditing function, internal committees and company management);
- participation in the meetings of the Board of Directors and the Board's Committees;
- participation in the Shareholders' Meeting.

The Board of Statutory Auditors has checked the correct application of the criteria and assessment procedures adopted for ascertaining the independence of its members, including for the purposes of Article 144-novies of the Issuer's Regulation, and went on to communicate this finding to the Board of Directors.

The Board of Statutory Auditors met 16 times in 2020; 13 of these meetings were attended by all statutory auditors, while three were attended by almost all of them. The average duration of the meetings of the Board of Statutory Auditors was approximately two hours.

In carrying out its activities, the Board of Statutory Auditors coordinates with the Internal Audit Department and the Controls and Risks Committee.

### **Diversity Criteria and Policies**

The appointment of the Board of Statutory Auditors took place during the Shareholders' Meeting of 29 April 2020, following the presentation of three lists, one majority and two minority, which also guaranteed the composition of the board meet regulatory provisions regarding gender balance (three members of the less-represented gender out of a total of five members).

The members of the Board of Statutory Auditors have an average age of about 50 years: two members are between 40 and 50 years old and one member is between 50 and 60 years old.

As part of its self-assessment activities, the Board of Statutory Auditors expressed a favourable opinion of, in particular, the functioning, composition and characteristics of its members in terms of their meeting the requirements of eligibility, independence, integrity and professionalism established by current legislation, also with regard to the issues and sectors of activity related or inherent to the Companies' activities.

## **10 Relations with shareholders**

To enable shareholders to understand the Company more fully, the Company has established a suitable department dedicated to relations with investors, headed by and entrusted to Jens Klint Hansen (the investor relator can be contacted by telephone on 051 287737 or by email at [ir@gruppophera.it](mailto:ir@gruppophera.it)).

## 11 Shareholders' meetings (pursuant to Article 123-bis, paragraph 2, letter c) of the TUF)

Ordinary and extraordinary shareholders' meetings are called in the circumstances and manner provided for by law; they take place either at the registered offices or at another location, provided it is in Italy. The full text of the proposed resolutions, together with the illustrative reports and documents submitted to the Shareholders' Meeting, are made available to the public at the company's registered offices and on the Company's website [www.gruppohera.it](http://www.gruppohera.it), as well as on the authorized storage site [1Info www.1Info.it](http://www.1Info.it) within the legal deadline for each of the matters under discussion.

The shareholders entitled to participate in the Shareholders' Meeting are those entitled to vote, pursuant to the law, at the end of the accounting day coinciding with the record date and for which the Company has received the relative communication made by the authorized intermediary by the end of the third trading day preceding the date set for the Shareholders' Meeting. However, the legitimate right to participate and vote remains if these communications are received after this deadline, provided that they are received by the beginning of the meeting. Those who become owners of shares only subsequent to this deadline will not have the right to participate in and vote at the Shareholders' Meeting.

Any person entitled to attend may be represented at the Shareholders' Meeting in accordance with the law, exercising the right to use the proxy form available on the Company's website for this purpose, and the methods that interested parties can use to notify the Company of proxies are also available electronically on this site.

At each Shareholders' Meeting, the Company identifies a person to whom the holders of voting rights will be able to confer a proxy with voting instructions covering all or some of the agenda items. The proxy to the aforementioned representative must be conferred by the end of the second open market day prior to the date of the Shareholders' Meeting, in the manner specified on the Company's website and using the specific proxy form provided there.

The proxy to the designated representative has no effect with regard to proposals for which voting instructions have not been given.

Shareholders can ask questions about the items on the agenda even before the Shareholders' Meeting, in the manner indicated on the Company's website.

Shareholders who, even jointly, represent one fortieth of the share capital, can submit a request within ten days of the publication of the notice of convocation asking that items be added to the matters to be discussed, indicating in the request the additional topics proposed, or presenting proposed resolutions on the items already on the agenda. Requests must be submitted in writing in the manner indicated on the Company website.

In accordance with Article 13 of the Articles of Association, the Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his/her absence, by a person elected by the Shareholders' Meeting itself through a majority vote by those present. The Chairman of the Shareholders' Meeting appoints a secretary, verifies that it has been constituted properly, ascertains the identity and legitimacy of those present and regulates the Shareholders' Meeting, in compliance with the meeting regulations, ascertaining the results of voting.

In accordance with Article 14 of the Articles of Association, both ordinary and extraordinary shareholders' meetings and their related resolutions are valid if made with the attendance requirements and majorities established by law.

Resolutions by the Extraordinary Shareholders' Meeting concerning amendments to articles 6.4 (shares and increased voting rights), 7 (public majority shareholding), 8 (limits on share ownership), 14 (validity of Shareholders' Meetings and right of veto) and 17 (appointment of the Board of Directors) of the Articles of Association will be valid if made with a yes-vote by at least 3/4 of shareholders with voting rights participating in the Shareholders' Meeting, rounded down if necessary.

The shareholders' meeting of 29 April 2003 approved the text of the meeting regulations, the updated version of which is published on the Company website at [www.gruppohera.it](http://www.gruppohera.it), which indicate the procedures to be followed in order to permit the orderly and proper functioning of meetings, without prejudice to the right of each shareholder to express his or her opinion on the matters under discussion.

During the 2020 financial year, one shareholders' meeting was held on 29 April, which was attended by 8 directors.

## 12 Considerations regarding the 22 December 2020 letter from the Chairman of the Corporate Governance Committee

At its meeting of 24 February 2020, the Board of Directors considered the recommendations made in the letter sent on 22 December 2020 to the chairmen of the governing bodies of Italian listed companies by the Chairman of the Corporate Governance Committee. In particular, the issues covered by the recommendations concern: sustainability, pre-executive disclosure, application of independence criteria, self-assessment of the board of directors, the appointment and succession of directors, and remuneration policies.

At the aforementioned meeting, the Board of Directors noted these recommendations and reported on the status of their implementation/reception by the Company.

In particular, the Company is in line with the recommendations on sustainability, which has long been a central aspect of the Hera Group's strategy. The approach adopted by the Group integrates sustainability into the planning and control systems and therefore into the management of the departments connected with the economic activities it manages. In terms of corporate social responsibility and sustainability, the Group's vision is expressed through sustainable development in the area where it operates. Hera Group's mission and values are embodied in the Code of Ethics and constitute the fundamentals of corporate behaviour as well as the strategic and cultural framework for the annual development of the Business Plan and the transparent reporting of results to stakeholders.

For several years now, the Company has been following a path aimed at aligning the Group's approach with the creation of shared value, with the aim of further integrating sustainability into its business activities and orienting its sustainability strategy and reporting to meet the priorities outlined in the UN 2030 Agenda.

Also with regard to pre-Board meeting information, the Company is in line with the recommendations contained in the Corporate Governance Code: as already referred to in the "Information to the Board" section of this document, since 2017 there has been a procedure in place for defining the agenda of meetings of both Hera's own Board of Directors and the boards of Group companies, as well as for delivering the relevant documentation to directors; the Board of Directors has adopted the Regulation on the functioning of the Hera Spa Board of Directors.

With regard to the Board's self-assessment, as already mentioned in the "Structured interviews" section of this document, since 2009 the Company has appointed an external consultant who supports the Board of Directors in conducting a self-assessment process on an annual basis, by means of individual interviews focusing on corporate governance issues, the Board's functioning and composition, the exercise of management and control powers, and the functioning of committees.

The Company also complies in terms of applying independence criteria, in that it provides, where necessary, due justification on an individual basis for any cases of non-application.

As for the recommendations concerning the appointment and succession of directors, as already outlined in the "Appointment Mechanism" and "Plans of succession" sections of this document, it should be noted that the Board of Directors decided not to establish an Appointment Committee, preferring to maintain these powers under the purview of the Board itself, also in view of the fact that Board of Directors appointments are made by the shareholders through list voting at the Shareholders' Meeting. In case of premature termination of the mandate of executive directors, the procedure will be carried out in compliance with the provisions of the Articles of Association and Shareholders' Agreement, whereas as regards top management, the Chairman, in agreement with the CEO, will submit a duly documented proposal for appointment/replacement to the Board of Directors.

As for the remuneration policy, the "Report on remuneration policies and compensation paid" explains the variable components of remuneration and how the Company has taken into account the working conditions of its employees in determining the remuneration policy, as well as indicating how this policy contributes to the Company's sustainability.

Table 1: structure of the Board of Directors and Committees

| Board of directors   |                           |            |                        |                 |                 |         |       |           |                | Controls and risks committee |                            | Remuneration committee |     | Appointments committee |     | Executive committee |           | Ethics and sustainability committee |      |
|--|---------------------------|------------|------------------------|-----------------|-----------------|---------|-------|-----------|----------------|------------------------------|----------------------------|------------------------|-----|------------------------|-----|---------------------|-----------|-------------------------------------|------|
| Position   | Component                 | Birth year | Date first appointed * | In office since | In office until | List ** | Exec. | Non exec. | Code of Indep. | TUF indep.                   | No. of other positions *** | (*)                    | (*) | (*)                    | (*) | (*)                 | (*)       | (*)                                 | (*)  |
| Chairman   | Tomaso Tommasi di Vignano | 1947       | 04-nov-02              | 29-apr-20       | Apr. FS 2022    | M       | X     |           |                |                              | -                          | 13/13                  |     |                        |     | 7/7                 | P         |                                     | (**) |
| CEO  | Stefano Venier            | 1963       | 23-apr-14              | 29-apr-20       | Apr. FS 2022    | M       | X     |           |                |                              | -                          | 13/13                  |     |                        |     | 7/7                 | M         |                                     |      |
| Vice Chair.  | Gabriele Giacobazzi       | 1949       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 99                     | 5/5 | P                      | 3/3 | P                   |           |                                     |      |
| Dirctbr  | Fabio Becchilega          | 1963       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 89                     |     |                        | 3/3 | M                   |           |                                     |      |
| Dirctbr  | Dario Manfredi            | 1969       | 23-apr-14              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 13/13                  |     |                        |     |                     |           |                                     |      |
| Dirctbr  | Alessandro Melzame        | 1984       | 08-nov-17              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 13/13                  |     |                        |     | 6/7                 | M         |                                     |      |
| Dirctbr  | Lorenzo Minganti          | 1973       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | 1                          | 99                     | 5/5 | M                      |     |                     |           |                                     |      |
| Dirctbr  | Monica Mondardini         | 1960       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | 4                          | 7/9                    |     | Not present            |     |                     |           |                                     |      |
| Dirctbr  | Erwin P.W. Rauhe          | 1955       | 27-apr-17              | 29-apr-20       | Apr. FS 2022    | m       |       | X         | X              | X                            | 2                          | 13/13                  | 7/7 | M                      |     |                     |           |                                     |      |
| Dirctbr  | Manuela Cecilia Rescazzi  | 1958       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 99                     |     |                        |     |                     |           |                                     |      |
| Dirctbr  | Paola Gina Maria Schizzer | 1965       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | m       |       | X         | X              | X                            | 2                          | 99                     | 5/5 | M                      |     |                     |           |                                     |      |
| Dirctbr  | Federica Seganti          | 1966       | 27-apr-17              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | 2                          | 12/13                  |     |                        |     |                     | 4/4 - 2/2 | P - M                               |      |
| Dirctbr  | Bruno Tani                | 1949       | 27-apr-06              | 29-apr-20       | Apr. FS 2022    | m       |       | X         | X              | X                            | -                          | 99                     |     |                        |     |                     |           |                                     |      |
| Dirctbr  | Alise Vatta               | 1975       | 29-apr-20              | 29-apr-20       | Apr. FS 2022    | m       |       | X         | X              | X                            | -                          | 99                     |     | 3/3                    | M   |                     |           | 4/4                                 | M    |
| Dirctbr  | Marina Vignola            | 1970       | 27-apr-17              | 29-apr-20       | Apr. FS 2022    | M       |       | X         | X              | X                            | -                          | 13/13                  |     |                        |     |                     |           |                                     |      |
| DIRECTORS WHO LEFT OFFICE DURING THE YEAR IN QUESTION  |                           |            |                        |                 |                 |         |       |           |                |                              |                            |                        |     |                        |     |                     |           |                                     |      |
| Vice Chair.  | Giovanni Basile           | 1965       | 23-apr-14              | 27-apr-17       | 29-apr-20       | M       |       | X         | X              | X                            | -                          | 4/4                    | 2/2 | P                      | 2/2 | P                   | 2/2       | M                                   |      |
| Dirctbr  | Francesca Fiore           | 1967       | 27-apr-17              | 27-apr-17       | 29-apr-20       | m       |       | X         | X              | X                            | 2                          | 4/4                    |     |                        | 2/2 | M                   |           |                                     |      |
| Dirctbr  | Giorgia Gagliardi         | 1982       | 23-apr-14              | 27-apr-17       | 29-apr-20       | M       |       | X         | X              | X                            | -                          | 3/4                    |     |                        |     |                     |           |                                     |      |
| Dirctbr  | Massimo Gusti             | 1967       | 23-apr-14              | 27-apr-17       | 29-apr-20       | m       |       | X         | X              | X                            | 2                          | 4/4                    |     |                        | 2/2 | M                   |           | 2/2                                 | P    |
| Dirctbr  | Sara Lorenzon             | 1981       | 27-apr-17              | 27-apr-17       | 29-apr-20       | M       |       | X         | X              | X                            | -                          | 4/4                    | 2/2 | M                      |     |                     |           |                                     |      |
| Dirctbr  | Stefano Manara            | 1968       | 28-ago-13              | 27-apr-17       | 29-apr-20       | M       |       | X         | X              | X                            | 1                          | 4/4                    |     |                        | 2/2 | M                   |           |                                     |      |
| Dirctbr  | Duccio Regoli             | 1961       | 27-apr-17              | 27-apr-17       | 29-apr-20       | m       |       | X         | X              | X                            | -                          | 4/4                    | 2/2 | M                      |     |                     |           |                                     |      |
| Dirctbr  | Giovanni Xibo             | 1962       | 27-apr-17              | 27-apr-17       | 29-apr-20       | M       |       | X         | X              | X                            | -                          | 4/4                    |     |                        |     |                     |           |                                     |      |
| Indicate the quorum required for the submission of lists at the time of the last appointment: : at least 1% of shares with voting rights in the ordinary shareholders' meeting (art. 17.5 of the Articles of Association). |                           |            |                        |                 |                 |         |       |           |                |                              |                            |                        |     |                        |     |                     |           |                                     |      |
| No. of meetings held during the financial year in question: 13   |                           |            |                        |                 |                 |         |       |           |                | Cr: 7                        |                            | Cr: 5                  |     | Cr: 7                  |     | Cr: 7               |           | Ethics and sustainability: 6        |      |

o This symbol indicates the Lead independent director (Lid).

\* The date of first appointment of each director refers to the date on which the director was appointed for the first time (ever) to the company's BoD.

\*\* This column shows the list from which each director was taken ('M': the majority list; 'm' minority list).

\*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets or large enterprises. For the list of these companies with reference to each director, see Table 3.

(\*) This column indicates the degree of participation of the director in meetings of the BoD and committees.

(\*\*) This column indicates the role played by the director on the Board: 'P': Chairman, 'M': member.

**Table 2: structure of the Board of Statutory Auditors****Board of Statutory Auditors**

| Position          | Component           | Birth year | Date first appointed * | In office since | In office until | List ** | Code of indep. | *** (%) | No. of other offices held**** |
|-------------------|---------------------|------------|------------------------|-----------------|-----------------|---------|----------------|---------|-------------------------------|
| Chairman          | Myriam Amato        | 1974       | 27-apr-17              | 29-apr-20       | Appr.FS. 2022   | m       | X              | 15/16   | 1                             |
| Standing auditor  | Girolomini Marianna | 1970       | 23-apr-14              | 29-apr-20       | Appr. FS. 2022  | M       | X              | 16/16   | -                             |
| Standing auditor  | Gaiani Antonio      | 1965       | 23-apr-14              | 29-apr-20       | Appr. FS. 2022  | M       | X              | 14/16   | -                             |
| Alternate auditor | Gnocchi Stefano     | 1974       | 27-apr-17              | 29-apr-20       | Appr. FS. 2022  | m       | X              | -       | 2                             |
| Alternate auditor | Bortolotti Valeria  | 1950       | 23-apr-14              | 29-apr-20       | Appr. FS. 2022  | M       | X              | -       | -                             |

Indicate the quorum required for the submission of lists at the time of the last appointment:

at least 1% of shares with voting rights in the ordinary shareholders' meeting (art. 26.2 of the Articles of Association).

No. of meetings held during the financial year in question: 16

\* The date of first appointment of each statutory auditor refers to the date on which he or she was appointed for the first time (ever) to the company's Board of Statutory Auditors.

\*\* This column shows the list from which each auditor was taken ("M": the majority list; "m" the minority list).

\*\*\* This column indicates the degree of participation of the auditor in meetings of the Board of Statutory Auditors.

\*\*\*\* This column indicates the number of offices as director or statutory auditor held by the person concerned pursuant to Article 148 bis of the TUF and associated implementation regulations contained in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.

**Table 3: Positions the directors hold in other companies**

| Name, last name           | Position                | Other positions (*)   |
|---------------------------|-------------------------|---|
| Tomaso Tommasi di Vignano | Executive Chairman      |   |
| Stefano Venier            | Chief Executive Officer |   |
| Gabriele Giacobazzi       | Vice Chairman           |   |
| Fabio Bacchilega          | Director                |   |
| Daniilo Manfredi          | Director                |   |
| Alessandro Melcarne       | Director                |   |
| Lorenzo Minganti          | Director                | Chairman of Se.Ra - Servizi Ristorazione Associati  |
| Monica Mondardini         | Director                | CEO of CIR Spa<br>Chairman of SOGEFI Spa (Gruppo CIR)<br>Independent director of Crédit Agricole SA<br>Director of KOS Spa (Gruppo CIR) |
| Erwin P.W. Rauhe          | Director                | Independent director of Isagro Spa<br>Independent director of SOL Spa   |
| Manuela Cecilia Rescazzi  | Director                |   |
| Paola Gina Maria Schwizer | Director                | Independent director of Credito Emiliano Spa<br>Independent director of Cellularline Spa  |
| Federica Seganti          | Director                | Director - Fincantieri Spa<br>Director - Eurizon Spa  |
| Bruno Tani                | Director                |   |
| Alice Vatta               | Director                |   |
| Marina Vignola            | Director                |   |

(\*) List of positions of director or statutory auditor held by each Director in other companies listed on regulated markets, including foreign markets or large enterprises.



**Hera Spa**

Sede legale: Viale C. Berti Pichat 2/4 - 40127 Bologna  
tel.: +39.051.28.71.11 fax: +39.051.28.75.25

[www.gruppohera.it](http://www.gruppohera.it)

Cap. Soc. i.v. € 1.489.538.745,00

C.F. / Reg. Imp. 04245520376

Gruppo Iva "Gruppo Hera" P. IVA 03819031208