

1.11 Report on corporate governance and ownership structures - article 123-bis of the TUF

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.

This growth was made possible by the organisational structure, based on a Parent Company and territorial operating structures, which constituted a highly innovative development model.

Hera is one of the leading Italian multi-utilities in the waste management, water, gas and electricity businesses, with more than 6,000 employees.

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 territories of Bologna, Ravenna, Rimini, Forlì, Cesena, Ferrara, Modena, Imola and Pesaro-Urbino, and since 1 January 2013, following the integration with the Acegas-Aps Group, in the territories of Padua and Trieste as well.

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 innovation and of 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, regarding this as an effective tool for increasing competitiveness and a key factor for achieving sustainable development. Mission and Values set out the corporate behaviour guidelines expressed in the Code of Ethics and provide information about all the Group's actions and relations. 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.

2. 2. Information on ownership structure (pursuant to Article 123-bis, paragraph 1, letter a) of the Consolidated Finance Act (TUF)) as at 22 March 2012 or 25 March 2013.

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

The share capital is €1,327,081,442.00, fully subscribed and paid-up, and consists of 1,327,081,442 ordinary shares with a par value of €1 each.

Share Capital Structure

Type of share	Number of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	1,327,081,442	100%	MTA of Borsa Italiana S.p.A.	Ordinary shares give holders dividend and voting rights provided for by law.

Other financial instruments (conferring the right to subscribe newly emitted shares)

The following bond was issued on 10 November 2010:

Type	Listed	Duration (years)	Maturity	Nominal value	Coupon	Annual rate
Convertible Bond	Luxembourg Stock Exchange	3	1/10/13	140	Fixed, half-yearly	1,75%

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 stipulates that at least 51% of the Company's share capital must be held by Municipalities, Provinces or 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.

Any transfer of shares will be regarded as ineffective vis-à-vis the Company if it would result in a public shareholding of less than 51%, and it is prohibited for any share transfer carried out in breach of this provision to be recorded in the shareholders' register.

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)

Declarer	Direct shareholder	% of the share capital
Municipality of Bologna	Municipality of Bologna	11.487%
Municipality of Modena	HSST-Mo Spa	10.520%
Municipality of Imola	CON.AMI	7.456%
Municipality of Ravenna	Ravenna Holding Spa	6.546%
Municipality of Trieste	Municipality of Trieste	5.413%
Municipality of Padua	Municipality of Padua	5.391%
Lazard Asset Management L.L.C.	Lazard Asset Management L.L.C.	2.894%
Municipality of Ferrara	Holding Ferrara Servizi Srl	2.303%
Carimonte Holding Spa	Carimonte Holding Spa	2.010%

d) 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%.

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

In accordance with Article 122 of the TUF, there is a Voting Trust and Share Transfer Rules Agreement in existence between 126 public shareholders concerning procedures for the exercise of voting rights and the transfer of Hera shares held by the signatories. This agreement was signed on 21 December 2011 and is effective from 1 January 2012, and was subsequently modified, effective from 1 January 2013, following the aggregation with the Acegas-Aps Group.

There is also a Voting Trust Agreement in existence between 68 public shareholders concerning procedures for the exercise of voting rights and the transfer of Hera shares held by the signatories. This agreement was signed on 21 December 2011 and is effective from 1 January 2012.

There is also a Consultation Agreement in existence, renewed on 21 February 2013 by five minority shareholders of Hera S.p.A., concerning procedures for the exercise of voting rights and the appointment of members of the Board of Directors and of the Board of Statutory Auditors.

Finally, there is a Consultation Agreement in existence, signed on 10 February 2012 by two public shareholders of Hera, which provides for the joint appointment of one member of the Executive Committee of Hera.

f) 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 27 April 2012 gave authorisation, within the limits of 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 25,000,000 ordinary Hera shares with a par value of €1 each, 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, with a total purchase price not exceeding €40,000,000;
- ii) 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;
- iii) sale, on one or more occasions, at a price that does not entail a negative financial impact for the Company.

It is also stated that the number of treasury shares in the portfolio at the close of the 2012 financial year was 13,812,528.

The shareholders' meeting of 15 October 2012 granted the Board of Directors, within the limits of Article 2443 of the Civil Code, the power, exercisable for a maximum of three years from the shareholders' decision, to increase, on one or more occasions, by payment, in tranches, the share capital by a maximum amount of €80,000,000 par value, corresponding to a maximum number of 80,000,000 ordinary shares with regular dividends and the same features as those outstanding at the date of issue, with an option to purchase offered in accordance with Article 2441, paragraphs 1, 2 and 3 of the Civil Code.

The Fondo Strategico Italiano Spa (FSI), a holding company whose controlling shareholder is Cassa Depositi e Prestiti SpA, evaluated an investment in Hera's share capital, against the aggregation with the Acegas-Aps Group, and committed itself to subscribing all of the shares corresponding to those stock options that may subsequently be purchased by Hera's main shareholders, as well as those stock options that may subsequently not be opted, upon occurrence of certain conditions and provided that the subscription involves a sufficient number of shares to allow the FSI to hold no less than 3% of Hera's post-

increase share capital, or that the FSI is able to subscribe a quota of at least 2,6% by purchasing subscription rights from several HERA shareholders.

3. Compliance (pursuant to Article 123-bis, paragraph 2, letter a) of the TUF)

Hera abides by 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 principles contained in the Code is not demanded by any legal obligation, the Company agreed to the principles of the Code, and to the modifications and integrations approved by the Committee for Corporate Governance of the Borsa Italiana in December 2011, so as to reassure investors that a clear and well-defined organisational model exists within the company, with appropriate divisions of responsibility and powers and a correct balance between management and control, as an effective tool for enhancing and protecting the value of its shareholders' investment.

The full text of the Corporate Governance Code is available to the public on the Borsa Italiana website, www.borsaitaliana.it.

4. Board of Directors

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

The Shareholders' Meeting on 29 April 2011 nominated a Board of Directors composed of 18 members, currently in office until the approval of the statements relative to the 2013 financial year, on the basis of the provisions of the Articles of Association effective until 31 December 2012 stipulating that the administrative body was composed of 18 members nominated on the basis of lists, establishing in particular that 14 of the 18 members to be elected were chosen from the majority list and that the remaining 4 members were chosen from the minority list that obtained the highest number of votes and that was not connected in any way, not even indirectly, with the shareholders proposing the majority list.

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

The shareholders' meeting of 15 October 2012, within the framework of the process of aggregation with the Acegas-APS Group, adopted a new text defining its Articles of Association, effective as of 01 January 2013, stipulating that the Board of Directors be composed of 20 members, and consequently nominated two new administrators, effective as of the same date. Article 17 of this new text stipulates that, while the nomination system and the prerequisites necessary for each candidate remain unchanged, that 16 members of the Board of Directors be chosen from the majority list and the remaining 4 members from other lists.

The aforementioned Meeting also resolved as to the insertion in the Articles of Association of a specific Transitory Clause that stipulates a number of amendments to paragraphs 16.1, 17.2 and 21.3 of the Articles of Association, effective as of the date of the ordinary shareholders' meeting to approve the financial statements for the year ending 31 December 2013. In particular, the amendment of paragraph 16.1 provides for the reduction of the number of members of the Board of Directors, from 20 to 15 ; the amendment of paragraph 17.2 consists in the reduction, from 16 to 12, of the number of members of the Board of Directors taken from the list of candidates for the election of the Board of Directors that obtained the highest number of votes, and in the resulting reduction, from 4 to 3, of the number of remaining members chosen from the non-majority lists. The modifications were designed with a view to containing the costs of the administrative body and complying with the governance agreements derived from the operation of integration with the Acegas-Aps Group.

Additionally, Article 17 of the Articles of Association stipulates that the lists, which must include at least two candidates satisfying the independence requirements established for the statutory auditors by Article 148, paragraph 3 of Legislative Decree no. 58/1998 and by the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., may be submitted by shareholders who represent at least 1% of shares with voting rights and must be filed at the registered offices at least 25 days prior to the date of the Shareholders' Meeting, 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, as well as the satisfaction of the requirements of integrity, and any applicable declaration of satisfaction of the independence requirements established for the statutory auditors by Article 148, paragraph 3 of the TUF and by the Code.

These lists must be made available to the public from the registered offices, the stock exchange operator and the website www.gruppohera.it, no less than 21 days prior to the date of the Shareholders' Meeting. 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. If, for any reason, no candidates are available, the Board, again pursuant to Article 2386 of the Italian Civil Code, will carry out the co-opting. 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.

There is a Voting Trust and Share Transfer Rules Agreement in existence between the local authority shareholders which governs the procedures for drawing up the majority list.

There is also a Consultation Agreement in existence, signed on 21 February 2013 by five minority shareholders of Hera S.p.A., which provides for the appointment of members of the Board of Directors.

As a clarification, note that the amendments of the Articles of Association aimed at introducing a system apt to ensure gender balance, as by Article 147-ter, paragraph 1-ter of the TUF, are currently being approved.

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.

b) 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 conformity with the recommendations of the Code, whereby the Board of Directors must meet on a regular basis, the Company's Articles of Association require the Board to meet at least every three months and whenever the Chairman considers necessary or when requested by at least one-third of its members or by the Board of Statutory Auditors. In addition, in conformity with the recommendations of the Code, which require the Board to be organised and to operate in such a way as to guarantee the effective and efficient performance of its duties, thereby ensuring the creation of value for shareholders and defining the nature and the level of risk compatible with the issuer's strategic objectives, the Company's Articles of Association provide that the Board of Directors 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 acts considered necessary or appropriate for the pursuit of the corporate purpose, excluding only those which, by law or by virtue of the Articles of Association, are strictly reserved to the Shareholders' Meeting.

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 Group Chairman and Vice Chairman;
- II. appointment and/or removal of the Group CEO and/or the General Managers;
- 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 Group Chairman, the Group CEO and/or the General Managers 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 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. the acquisition and disposal of equity investments with a value exceeding €500,000 (five hundred thousand);
- X. purchase and/or sale of properties with a value exceeding €500,000 (five hundred thousand);
- XI. provision of sureties, liens and/or other real guarantees with a value exceeding €500,000 (five hundred thousand);
- XII. purchase and/or sale of companies and/or business units;
- XIII. appointment of directors of subsidiaries and affiliates;
- XIV. participation in tenders and/or public procedures involving the assumption of contractual obligations exceeding €25,000,000.

The Board of Directors has assessed the appropriateness of the organisational, administrative and general accounting arrangements of the Company, with particular reference to the internal control system and to risk management.

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 and financial operations implemented 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 2012. All the directors took part in 4 of these meetings, while almost all of them took part in the other 9; all the statutory auditors took part in 9 of the meetings, while almost all of them took part in 3 and in one meeting only one statutory auditor participated. The average length of the meetings of the Board of Directors was approximately two hours and forty-five minutes.

The Head of Operations General and the Head of Development & Market General, who are invited to take part in the meetings of the Board of Directors, respectively attended 12 and 13 meetings in 2012.

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

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

With regard to the current financial year, 3 meetings of the Board of Directors have been held as at 22 March 2013; all of the directors and almost all of the statutory auditors took part in one of the sessions, while in the other two almost all of the directors and all of the statutory auditors participated. As at 22 March 2013, 10 meetings of the Board of Directors have already been scheduled for the remainder of the year.

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 Corporate Governance Code, the 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”).

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 to which the Procedure applies:
 - “Transactions of Major Importance”, or 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”, or transactions with Related Parties that are neither of Major Importance nor of Negligible Amount;
 - “Ordinary Transactions”, or 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 consideration;
 - “Transactions of Negligible Amount”, or transactions for which the maximum foreseeable amount of the consideration or of the value of the service does not exceed, for each transaction, the sum of €1,000,000.00;
 - “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 Internal Control Committee (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 and 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 Committee for Internal Control and risk management.

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.

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

The Company’s Articles of Association stipulate that the Board of Directors comprises 20 members.

The Board of Directors, in conformity with the provisions of Article 1.C.1. letter g) of the Code, has evaluated the size, composition and functioning of the Board itself and its committees, and confirms its positive judgement with regard to the functioning of the Board.

This evaluation was carried out with the support of external consultants, governance experts and administrative body consultancy services, and is based on the following criteria:

- interview with the directors;
- analysis of international best practices, and comparison with the working practices of the Board of Directors;
- examination of the company documents.

The table below shows the current composition of the Board of Directors. The personal and professional details of each director are available on the website www.gruppohera.it.

Name and surname	Office	Position
Tomaso Tommasi di Vignano	Chairman	Executive director
Maurizio Chiarini	C.E.O.	Executive director
Giorgio Razzoli	Vice chairman	Non-executive independent director
Mara Bernardini	Director	Non-executive independent director
Filippo Brandolini	Director	Non-executive independent director
Marco Cammelli	Director	Non-executive independent director
Luigi Castagna	Director	Non-executive independent director
Pier Giuseppe Dolcini	Director	Non-executive independent director
Valeriano Fantini ***	Director	Non-executive independent director
Enrico Giovannetti	Director	Non-executive independent director
Fabio Giuliani	Director	Non-executive independent director
Luca Mandrioli	Director	Non-executive independent director
Daniele Montroni **	Director	Non-executive independent director
Giovanni Perissinotto*	Director	Non-executive independent director
Cesare Pillon*	Director	Non-executive director
Mauro Roda	Director	Non-executive independent director
Roberto Sacchetti	Director	Non-executive independent director
Rossella Saoncella	Director	Non-executive independent director
Bruno Tani	Director	Non-executive independent director

* in office since 1 January 2013 ** outgoing as of 14 March 2013 *** died on 18 March 2013

Accumulation of positions in other companies.

In a resolution dated 10 October 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.

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.

d) Delegated bodies

Chairman of the Board of Directors

The Board of Directors, at its meeting of 2 May 2011, 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 Group CEO;
3. to oversee the deliberations of the Company's administrative bodies, without neglecting the reports presented periodically 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 take 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 supervise the operations of the Company and its subsidiaries, reporting each month to the Board of Directors;
13. to draw up the Long-term Plans and Business 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;
14. 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;
15. 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;
16. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;

17. 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 (Consob), 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;
18. to represent the Company in all active and passive lawsuits, in all degrees of civil and administrative proceedings, before arbitration boards, with the widest powers to:
 - a. bring conservative, restraining and executive actions, request summary judgements and seizures of property and oppose the same, enter civil proceedings, file motions and appeals;
 - 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;
19. to stipulate and sign contracts and deeds of constitution of companies, associations and consortiums with a value not exceeding €500,000.00 (five hundred thousand) 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 €100,000.00 (one hundred thousand) for each transaction;
21. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
22. 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) for each transaction;
23. 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;
24. 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 €25,000,000.00 (twenty-five million) for each individual transaction – in cases of urgency, the decision concerning amounts exceeding €25,000,000.00 (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;
25. to take part, as far as his authority permits, in any type of public or private auction or invitation to bid in Italy and abroad;
26. 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) for each transaction (this limit will not apply to transactions connected with participation in tenders);

27. to rent or let out properties under leases or subleases and stipulate, amend and terminate the relative contracts;
28. 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;
29. 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;
30. 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) for each individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
31. 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;
32. 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 €100,000.00 (one hundred thousand);
33. the Chairman, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is responsible for supervising the functioning of the Internal Control System. To this end, as far as his authority permits, he:
 - a. ensures that the Risk Committee identifies the main business risks, taking account of 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 System, constantly checking its overall appropriateness, effectiveness and efficiency, and also ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context,
 - c. c. proposes to the Board of Directors, in association with the CEO, the appointment, removal and remuneration of the Internal Control Officer.

In relation to the powers listed above, and in conformity with 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.

Chief Executive Officer

During the same meeting, the Board of Directors passed a resolution to vest the Group CEO with the following powers:

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 take 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 of Directors 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 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 recruitment and management in compliance with the annual budget; propose the engagement of directors to the Board of Directors; engage, appoint and dismiss personnel up to and excluding the rank of General Manager, in accordance with the provisions contained in the annual budgets; adopt and implement disciplinary sanctions, dismissals and any other measure in respect of manual workers, clerical workers, assistants and auxiliary staff;
8. 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) for each individual transaction; request the use of tranches of financing, up to the amount of €3,000,000.00 (three million) for each agreement;
9. 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;
10. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
11. 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;
12. to grant credit on behalf of the Company, with and/or without recourse, up to a maximum amount of €250,000,000.00 (two hundred and fifty million) for each individual transaction, and to work with factoring companies and institutions, signing all related deeds;
13. 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;

14. to represent the Company in all lawsuits pertaining to labour law, including the power to:
 - a. settle individual labour disputes concerning the categories of officers, clerical workers, assistants and auxiliaries;
 - 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;
15. to represent the Company before Social Security and Welfare offices and entities for the settlement of issues relating to 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;
16. to issue guarantees and grant loans, and sign bank surety agreements up to the value of €500,000.00 (five hundred thousand) for each transaction; this limit shall not apply to transactions relating to participation in tenders; issue, accept and endorse credit instruments;
17. 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;
18. 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 €25,000,000.00 (twenty-five million) for each individual transaction – in cases of urgency, the decision concerning amounts exceeding €25,000,000.00 (twenty-five million) will be taken in association with the Group Chairman, 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;
19. to take part, as far as his authority permits, in any type of public or private auction or invitation to bid in Italy and abroad;
20. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
21. 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) for each transaction;
22. 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 €100,000.00 (one hundred thousand) for each transaction;
23. to conclude transactions up to an amount of €5,000,000.00 (five million) for each individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;

24. to provide for the expenses incurred by the Company for investments; stipulate, amend and terminate the relative contracts, in particular for:
 - a. works and supplies necessary for the transformation and maintenance of properties and plant up to an amount of €15,000,000.00 (fifteen million) for each individual investment;
 - b. purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, up to an amount of €8,000,000.00 (eight million) for each individual investment, 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 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;
26. the CEO is also assigned the powers and responsibilities set forth in Legislative Decree no. 626 of 19 September 1994 and Legislative Decree no. 81 of 9 April 2008 and subsequent amendments and integrations on the matter of workers' health and safety at work, all with the power of delegation;
27. the CEO is assigned the role of "Employer" pursuant to and for the purposes of Article 2 of Legislative Decree no. 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:
 - Services and IT Systems Central Department: Marcello Guerrini
 - General Operations Department, in particular Large Plant Engineering and Research & Development: Roberto Barilli
 - Energy Department: Angelo Bruschi
 - Water Department: Franco Fogacci
 - Environmental Services Department: Tiziano Mazzoni
 - Technical Customer Management Department: Susanna Zucchelli
 - Purchases and Contracts Department: Giancarlo Randi
28. the CEO is responsible for managing activities relating to the Register of Freight Carriers, with the power of delegation;
29. the CEO is assigned the powers and responsibilities set forth in Legislative Decree no. 196 of 30 June 2003 concerning the protection of individuals and other parties with regard to the processing of personal data, with the power of delegation;
30. the CEO, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is responsible for supervising the functioning of the Internal Control System. To this end, as far as his authority permits, he:
 - a. ensures that the Risk Committee identifies the main business risks, taking account of 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 System, constantly checking its overall appropriateness, effectiveness and efficiency, and also ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context,
 - c. proposes to the Board of Directors, in association with the Chairman, the appointment, removal and remuneration of the Internal Control Officer.

Hence both the Chairman and the CEO are executive directors.

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

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 on the basis of the powers delegated to them.

The Chairman, so as to guarantee the timeliness and completeness of pre-council briefing, ensures that each director and statutory auditor has at their disposal all of the information and documentation necessary for discussing the items on the agenda of the meetings of the Board of Directors at least three days before the meeting, with the exception of cases of necessity and urgency.

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 (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

The Board of Directors, appointed during the Shareholders' Meeting of 29 April 2011, 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 2013, as provided for by Article 23.3 of the Articles of Association, at its meeting of 2 May 2011, appointed the Executive Committee consisting of the following members:

- Tomaso Tommasi di Vignano - Chairman of the Executive Committee;
- Giorgio Razzoli - Vice Chairman of the Executive Committee;
- Maurizio Chiarini - member of the Executive Committee.

As of 24 January 2013, following the merger through acquisition of Acegas-APS Holding Srl in Hera Spa, the BoA of Hera passed a resolution to nominate a further member of the Executive committee, represented by councillor Giovanni Perissinotto, jointly appointed by the shareholders of the Municipality of Padua and the Municipality of Trieste.

The Executive Committee, as of 24 January 2013, is therefore composed of the following 4 members:

- Tomaso Tommasi di Vignano - Chairman of the Executive Committee;
- Giorgio Razzoli - Vice Chairman of the Executive Committee;
- Maurizio Chiarini - member of the Executive Committee.
- Giovanni Perissinotto - member of the Executive Committee.

With regard to the annual definition of the Group business plan and the budget and to the proposals for appointment of first level senior executives, 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 in any way pertaining to the corporate purpose with a value exceeding €2 million 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 €100,000 and up to €500,000, and more generally on the overall criteria for use;

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 €100,000 and up to €500,000;
4. to settle disputes and/or waive credits of an amount exceeding €5 million;
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 €1,000,000 and up to €5,000,000; request the drawdown of tranches of loans, for an amount of more than €3,000,000 and up to €5,000,000 per individual contract;
6. as to 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 €15,000,000;
 - purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, with a value exceeding €8,000,000.

The Executive Committee also has the task of examining the audit reports each quarter and of supervising, in conformity with the system of delegations defined within the Company, the implementation of the action plans arising from the audit reports.

The Board of Directors met on 7 occasions in 2012, and all of the meetings were attended by all members. The average duration of the meetings of the Executive Committee was approximately one hour.

f) Independent directors

There are currently 16 directors qualifying as non-executive independent members of the Board, in that:

- a) they do not control the Company directly or indirectly, including via subsidiary or trust companies or third parties; they do not exercise significant influence over the Company; they are not party to any shareholders' agreement whereby one or more parties may exercise control or significant influence over the Company;
- b) they are not currently, nor have they been in the last three financial years, important representatives of the Company, one of its subsidiaries with strategic importance or one of the companies subject to joint control together with the Company, or of a company or body which, also together with others as a result of shareholders' agreements, controls the Company or is able to exercise significant influence over it;
- c) they do not currently have, nor have they had in the previous year, either directly or indirectly, any significant commercial, financial or professional relationship:
 - with the Company, one of its subsidiaries or any of the related important representatives;
 - with a party who, alone or with others as a result of shareholders' agreements, controls the Company, or – in the case of companies or bodies – with the related important representatives, and who have not been employees of one of the aforementioned parties in the last three financial years;
- d) they have not received in the last three financial years, from the company or from a subsidiary or parent company, significant remuneration in addition to the "fixed" emolument of the Company's non-executive directors and the remuneration for participation in internal committees, including participation in incentive schemes linked to the company's performance, even share-based;
- e) 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;
- f) 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;

- g) they are not close relatives of a party in one of the positions described in the previous points;
- h) they satisfy the requirements of independence set forth under Article 148, paragraph 3 of the TUF.

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.

The Board of Statutory Auditors, in conformity with the provisions contained in Article 3 of the Code, has checked the correct application of the criteria and the assessment procedures adopted by the Board of Directors for ascertaining the independence of its members.

5. Handling of corporate information

For the purposes of governing the communication to the sector Authorities and to the public of notices, data and price-sensitive information pertaining to the management and activities carried out, whose dissemination 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, on 15 February 2007 the Board of Directors adopted a specific procedure aimed at:

- i) identifying price-sensitive and confidential information;
- 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.

Consequently, in application of the new procedure adopted by Hera S.p.A. on 27 March 2006 with regard to internal dealing, and in accordance with Article 152-sexies of the Consob Issuers' Regulation, the following individuals have been identified as significant parties obliged to inform Consob of the transactions they have carried out on Hera S.p.A.'s financial instruments: the members of the Board of Directors, the Statutory Auditors and the shareholders who hold an equity investment equal to or greater than 10% of the share capital, as well as individuals closely linked to these parties.

In conformity with the provisions of the Issuers' Regulation, the timescales and procedures for communication of the operations carried out by the significant parties have been identified by the procedure adopted by Hera S.p.A. 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 Department for disseminating the information to the market by means of the NIS screen-based system (Network Information System).

Furthermore, in accordance with the provisions of Article 115-*bis* of the Tuf and Article 152-*bis* of the Issuers' Regulation no.11971 of 14 May 1999, introduced by means of Consob resolution no.15232 of 29 November 2005, as of 1 April 2006 Hera S.p.A. set up the "Register of Individuals who, as a result of work or professional activities, or in relation to the functions performed, have access on a regular or occasional basis to privileged information", this being understood as information (i) of a precise nature; (ii) directly or indirectly concerning the issuer or its financial instruments; (iii) which has not been made public; and (iv) which, if made public, could considerably influence the prices of these financial instruments (price-sensitive information).

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

The established Committees constitute an internal structure of the Board of Directors and fulfil an advisory and consultative role. The Board of Directors, renewed on 29 April 2011, redefined the composition of the afore-mentioned committees at its meeting of 2 May 2011.

a) Appointments Committee

It was decided that the Board of Directors would fulfil the functions of the Appointments Committee.

b) Remuneration Committee

In 2011, the Remuneration Committee handled matters relating to remuneration policies, subject to approval by the Board of Directors at the time of the 2011 financial statements. For information relating to this Section, please refer to the Remuneration Report 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)

In conformity with the requirements of the Code, the Company's Board of Directors resolved at its 4 November 2002 meeting to set up the Internal Control Committee. This Committee, whose composition was renewed on 2 May 2011, is made up of Giorgio Razzoli as Chairman, Fabio Giuliani, Rossella Saoncella and Luca Mandrioli. At least one member of the Internal Control Committee has experience in accounting and financial matters judged adequate by the Board of Directors at the time of the appointment. 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.

The Controls and Risks Committee met 11 times in 2012; 7 of these meetings were attended by all the members, and 4 by a majority of members. The average length of the meetings of the Internal Control Committee was approximately one hour.

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) on at least 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 Director, the Committee specifically:

- a) 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;
- b) expresses its judgment regarding specific aspects of the identification of primary corporate risks;
- c) 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;
- d) 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;
- e) monitors the autonomy, effectiveness and efficiency of the Internal Auditing Structure;
- f) 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 Independent Auditors, and of surveys and investigations carried out by other committees of the company and third parties;
- g) 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;
- h) 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 2012 financial year, which were duly recorded, the following measures were carried out:

- review of the Regulations of the Internal Control Committee and the Operating Mandate and Manual of the Internal Auditing Department;
- evaluation of the effectiveness of the Internal Control System;
- preparation of the periodic Reports of the Internal Auditing Department Management;
- analysis of the area governed by Law 262/2005.

The Committee also examined the audit reports as well as the 2013 Business Plan and budget of the Internal Auditing Department Management, carried out the Risk Assessment and prepared the 2013-2015 Audit Plan.

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.

d) Ethics 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.

Consequently, in application of Article 60 of the aforementioned Code, the Board of Directors, at its meeting of 8 October 2007, set up a suitable Committee, whose composition was renewed on 2 May 2011. This Committee comprises a director of Hera S.p.A. in the person of Giorgio Razzoli, Mario Viviani, and a manager with expertise in matters of social responsibility.

The Board of Directors of Hera S.p.A., at its meeting of 26 January 2011, at the end of the three-year experimental phase of using the Code of Ethics, adopted an updated text of the Code with a view to implementing it within the Company.

The Ethics Committee met 5 times in 2012; 4 of these meetings were attended by all the members, and 1 by a majority of members. The average duration of the meetings of the Ethics Committee was approximately one hour and thirty minutes.

Functions of the Ethics Committee

The Ethics Committee is responsible for monitoring the dissemination and implementation of the principles of the code of ethics.

During the course of the meetings held in 2012, the following measures were taken: analysis of the reports received by the Committee, assessment of the operations carried out to disseminate the Code of Ethics as well as the analysis of the scope of dissemination of Model 231 and of the Code by the Group's companies.

7. Internal Control and Risk Management System

The Hera Group is committed to promoting and maintaining a suitable internal control and risk management system understood as a collection of regulations, procedures and organizational structures aimed at allowing the business to be run in a manner that is consistent with the objectives established by the Board of Directors through the identification, evaluation, management and monitoring of the primary risks.

On 24 March 2011, the Board of Directors of Hera S.p.A. created the Hera Group Risk Committee, defining its components, aims and operational modes.

The Hera S.p.A President and CEO oversee, within their scope of responsibility, the functionality of the internal control and risk management system.

The Risk Committee meets periodically multiple times throughout the year and comprises:

- Hera S.p.A President;
- Hera S.p.A CEO;
- Hera S.p.A Vice President;
- Development and Market General Director;
- Administration, Finance and Control General Director;
- Supervisor of Energetic Risks Analysis and Control - Development and Market General Director.

Additionally, in relation to specific domains of responsibility, the following may also participate:

- Hera Comm S.r.l. CEO;

- Hera Trading S.r.l CEO;
- Legal and Corporate Central Director;
- Quality, Safety and Environment Central Director;
- Information Services and Systems Central Director.

In relation to specific types of risk requiring analysis, the Risk Committee may request the participation of other relevant company components.

The Risk Committee represents the main body in charge of guiding, monitoring and providing information about strategies of risk management and is responsible for:

- defining the general guidelines for the Risk Management process;
- providing for the mapping and monitoring of corporate risks;
- ensuring the definition of Risk Policies and measurement parameters to be submitted for approval by the Hera S.p.A. Board of Directors;
- providing for the bi-annual accounting submitted to the Hera S.p.A. Board of Directors;
- defining and ensuring information protocols directed to the Controls and Risks Committee, the Appointed Manager in charge of drafting corporate financial documents, the Internal Auditing Management, the Board of Statutory Auditors and the Independent Auditor.

Over the course of 2013, the Hera S.p.A Board of Directors has scheduled an update for the internal control and risk management system guidelines that will enable, in keeping with established best practices, the government of risk management strategies in a manner that is coherent and compatible with the achievement of the company's strategic objectives.

In relation to 2012 and following the quarterly reports released by the Controls and Risks Committee, the Board of Directors has approved the adequacy, efficacy and effective functioning of the internal control and risk management system.

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

Introduction

The internal control and risk management system in relation to the financial information process, as part of the larger internal control and risk management integrated system, is aimed at ensuring the dependability, reliability, accuracy and timeliness of the Group's financial information.

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 for the analysis, implementation and evaluation of internal control and risk management systems.

The definition of the internal control and risk management system in relation to the financial information process was set out in keeping with applicable norms and regulations:

- Legislative Decree no. 58 of 24 February 1998 (Tuf);
- Law no. 262 of 28 December 2005 (and subsequent modifications, including the legislative decree to assimilate the Transparency Directive, approved on 30 October 2007) regarding 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 for the company management to the Appointed Managers in charge of drafting of corporate financial documents (Article 2434 c.c.), for disloyalty crime originating from conferred or promised utility (Article 2635 c.c.) and for the crime of obstructing the functions of public and surveillance authorities (Article 2638 c.c.);
- 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

In accordance with Article 154-*bis* of the Tuf, the figure of the Appointed Manager for drafting corporate financial documents (hereafter indicated as "Appointed Manager") has been introduced into the Company's corporate governance structure.

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 (hereafter also "The Model") pending approval, that outlines the adopted method and associated roles and responsibilities in 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:

- 1) carrying out financial-administrative Risk Assessment;
- 2) identifying controls and updates for the financial-administrative procedures;
- 3) periodically evaluating the financial-administrative procedures and the controls they contain.

Step 1: financial-administrative Risk Assessment

Financial-administrative Risk Assessment represents the process of identifying the risks connected to 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.

These objectives comprise the "declarations" of the financial statement (existence and occurrence, completeness, rights and obligations, assessment/surveying, presentation and information) and additional

control objectives (such as, for instance, the separation of duties and responsibilities, the documentation and traceability of operations, compliance with authorizational restrictions, etc.).

Risk Assessments concentrates on those areas of the financial statement where potential effects on financial information have been located in relation to the failure to achieve these control objectives.

As part of the process of financial-administrative Risk Assessment, managed by the Appointed Manager, the following tasks are carried out at least bi-annually:

- a review and update of the list of subsidiary companies considered relevant in view of the proper functioning of the Group's financial and administrative control system;
- a review and update of 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;
- a review of 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, in reference to the Group's consolidated financial statement, the balance sheet entries, the Subsidiary Companies and processes to be considered relevant on the basis of evaluations performed using quantitative and qualitative parameters, represented by:

- quantitative threshold values used to compare both the accounts contained in the consolidated financial statement and the relative contribution of subsidiary companies within the Group;
- qualitative assessments made on the basis of knowledge about the current corporate situation and specific risk factors contained in financial-administrative processes.

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. In particular, balance sheet entries classified as relevant and their underlying corporate processes are connected in order to identify the proper controls for meeting the objectives of the internal control system for financial information.

The Entities involved in the process and in charge of implementing the financial and administrative control system on at least a bi-annual basis, verify, for their specific areas of responsibility, the updating of the design and implementation of control activities detected within the financial-administrative procedures in terms of:

- correspondence between the description of controls and the evidence used to support them in relation to the operational activities being carried out, the information systems in use and the company's organizational structure;
- proper identification of the Figures in charge of the process, activities and controls identified.

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

Whenever, following the financial-administrative Risk Assessment operations, significant control activities are identified which are not governed in whole or part by the body of Hera S.p.A.'s financial-administrative procedures, the various Entities, in coordination with the Appointed Manager, are tasked with providing for supplementing the existing procedures.

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

The periodic evaluation activities of the financial and administrative control system are carried out at least bi-annually with a view to ensuring sufficient financial information for the preparation of individual and consolidated annual financial statements and the abbreviated bi-annual consolidated financial statement.

The identified controls are subsequently subject to an assessment of their adequacy and actual effectiveness through specific testing activities according to the best practices established for the sphere in question; in reference to automatic checks, the assessment of adequacy and actual effectiveness also applies to general IT controls whenever these applications are used to support processes considered to be relevant.

The testing activities carried out by the Appointed Manager are aimed at verifying:

- the design and implementation of existing activities and controls, that is to say, the capacity of the described control and its attributes to adequately cover the risks and identified control objectives as well as correlated accounting postulates;
- the operational effectiveness of existing activities and controls, that is to say, that the check was actually performed as described in the "control plan" and that the figure in charge of controls has maintained adequate traceability and proof of the performed control.

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

On a bi-annual basis, at the end of the evaluation process, the Hera S.p.A 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 directed toward the Appointed Manager for the purposes of preparing the financial statement.

On a bi-annual basis, the Appointed Manager will define 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. The assessment of controls may involve the identification of compensatory controls, correctional actions or improvement plans connected to any possible issues identified.

After having been shared with the CEO, the Executive Summary will be communicated to Hera S.p.A., the 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 information 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 as well as assessing its application, and releasing a statement concerning the bi-annual and annual financial statement, including the consolidated financial statement.

The Appointed Manager is additionally responsible for establishing adequate financial-administrative procedures for the creation of the financial statement and consolidated financial statement as well as any

other financial communication, ensuring that they are updated and promoting their dissemination and an awareness of them.

In performing his or her activities, the Appointed Manager:

- is supported by the Figures responsible for the Entities involved, 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 statement;
- 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

Following the Hera S.p.A. Board of Directors resolution of 17 December 2012, the President and CEO, within the scope and limits of the respective mandates and reporting lines of the various corporate structures, have been tasked with supervising both the functioning of the internal control system, as established by the resolution of 2 May 2011, and risk management, following the adoption of the new Code of Self-Discipline.

The President and CEO, in keeping with their mandates:

- ensure that the Risk Committee identifies the main corporate risks, taking into consideration the features of the activities carried out by the Company and its subsidiaries, and periodically subjects these to examination by the Board of Directors,
- implement the guidelines defined by the Board of Directors, ensuring that the responsible business structures provide for planning, implementing and managing the Internal control and risk management system, constantly checking its overall adequacy, effectiveness and efficiency, and also ensuring that this System is suited to the dynamics of the operating conditions and of the legislative and regulatory context.

The corporate heads may request that the Internal Auditing Manager carry out operations concerning risk assessment, controls design, and compliance with internal rules and procedures.

Over the course of 2013, the Hera S.p.A. Board of Directors has scheduled an update of the internal control and risk management system guidelines that will allow the forecasting of specific coordination modes among the various subjects involved in the internal control and risk management system.

c) Internal auditing department manager

In order to ensure an adequate functioning of the internal control and risk management system, the Internal Auditing department, whose manager reports directly to the Vice President, ensures that the internal control system is always adequate, fully operational and functions in such a way as to achieve an acceptable level of overall risk.

The Internal Auditing Manager provides a report on his or her activities, every three months or whenever he or she considers it necessary, to the CEO, the Chairman of the Board of Directors, the Internal Controls and

Risk Management Committee and the Board of Statutory Auditors. He or she is hierarchically independent of the heads of operational divisions and may have direct access to all information necessary for the performance of his or her 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 no. 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 the organisational, management and control model pursuant to Legislative Decree no. 231/2001 (also in the light of the provisions introduced by Law no. 123/07), 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 comprises 25 protocols.

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

Consequently, the Board of Directors set up the supervisory board, renewed 2 May 2011, comprising the head of Internal Auditing of Hera S.p.A. as Chairman, the head of Legal and Corporate Affairs of Hera S.p.A. and an external member, to which the aforementioned duties are entrusted, including the task of periodically reporting to the corporate bodies of Hera S.p.A. on the implementation of said model.

The supervisory board met on 7 occasions in 2012 and all these meetings were attended by all the members.

The average length of the meetings of the Supervisory Board was approximately one hour.

The Supervisory Board updated the 231 protocols that make up the organisational model. The Supervisory Board also applied and analysed the system of information flows that allow it to supervise the functioning of and compliance with the models, as well as examining the reports that followed from the audits and scheduling further activities.

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

e). Independent Auditors

The company appointed as independent auditor by Hera's Shareholders' Meeting of 27 April 2006 is PricewaterhouseCoopers S.p.A., whose mandate will expire upon approval of the financial statements for the year ending 31 December 2014.

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 4 March 2010 to appoint Dr. Luca Moroni, covering the role of Finance and Control Administration Central Director, to 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 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:

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

The statutory auditors are appointed by the Shareholders' Meeting on the basis of the list voting system provided for by Article 26 of the Articles of Association, which specifies that (i) Municipalities, Provinces and Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000 or other Public Agencies or Authorities, as well as consortiums or joint-stock companies directly or indirectly controlled by the same contribute to presenting a single list, and (ii) shareholders other than those indicated in point (i) may present lists provided they represent, in accordance with current regulations (Consob Resolution no. 17633 of 26 January 2011), at least 2% of the shares with voting rights. The lists must be filed at the registered offices at least 25 days prior to the date of the Shareholders' Meeting, together with the candidates' CVs, the declaration of the individual candidates stating that they accept the office and certifying the non-existence of any ineligibility, incompatibility or forfeiture as provided by law, as well as the satisfaction of the requirements of integrity and professionalism required by law for the members of the Board of Statutory Auditors. Together with the lists, a declaration must also be presented attesting to the absence of any agreements or links of any kind with the other shareholders who have presented other lists, as well as the list of the offices of administration and control held by them in other companies. These lists must be made available to the public from the registered offices, the stock exchange operator and the website www.gruppohera.it, at least 21 days prior to the date of the Shareholders' Meeting.

In the event of the replacement of a Statutory Auditor, he or she is succeeded by the alternate Auditor belonging to the same list as the Auditor to be replaced.

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 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.

It is furthermore specified that modifications to the Articles of Association are currently pending approval aimed at introducing the necessary mechanisms to ensure equal representation of men and women among the Board of Statutory Auditors as provided for by Article 148, paragraph 1-*bis* of the Tuf.

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

The Board of Statutory Auditors comprises three statutory members and two alternate members. The Board of Statutory Auditors, whose mandate expired upon approval of the financial statements for the year ended 31 December 2010, was renewed during the course of the Shareholders' Meeting of 29 April 2011 and will remain in office until the approval of the financial statements for the 2013 financial year.

Effective 09 July 2012, the alternate statutory auditor Stefano Ceccacci has provided notice of his resignation; the Shareholders' Meeting of 15 October 2012 appointed Massimo Spina to replace the resigning member, who will remain in office until the regular end of his term, that is, the day of the Meeting convened to approve the financial statement for the financial year ending 31 December 2013.

The Board of Statutory Auditors, in compliance with the provisions contained in Article 10 of the Code, has assessed the correct application of the verification procedures and criteria adopted for evaluating the independence of its members, including for the purposes of Article 144-*novies* of the Issuers' Regulation.

Here below is indicated the current composition of the Board of Statutory Auditors, while the personal and professional details of each statutory auditor are available on the website www.gruppohera.it.

Name and surname	Office
Sergio Santi (**)	Chairman
Elis Dall'Olio (*)	Standing auditor
Antonio Venturini (*)	Standing auditor
Massimo Spina (***)	Alternate auditor
Roberto Piccone (*)	Alternate auditor

(*) appointed by the shareholders' meeting of 29 April 2011 on the basis of the list presented by the majority shareholders.

(**) appointed by the shareholders' meeting of 29 April 2011 on the basis of the only list presented by the minority shareholders in conformity with the provisions of the current legislation.

(***) appointed by the shareholders' meeting of 15 October 2011 to replace the alternate statutory auditor, Dr. Stefano Ceccacci.

The Board of Statutory Auditors met 19 times in 2012; 12 of these meetings were attended by all statutory auditors, while 7 attended by almost all of them. The average duration of the meetings of the Board of Statutory Auditors was approximately one hour and forty-five minutes.

There is a voting trust and share transfer rules agreement in place between the public shareholders which governs the procedures for drawing up the list for the appointment of two statutory members and one alternate member of the Board of Statutory Auditors.

There is also a consultation agreement in existence, signed on 23 February 2010 by five minority shareholders of Hera S.p.A., concerning the appointment of members of the Board of Statutory Auditors.

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

9. 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 +39 051 287737 or by email at ir@gruppohera.it).

10. 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 are held at the registered offices or elsewhere in Italy.

The right to take part in shareholders' meetings is enjoyed by shareholders with legitimate entitlement under the rules applicable at any given moment.

Ordinary and extraordinary shareholders' meetings and the related resolutions are valid if the quorum and majority conditions established by law are satisfied.

The resolutions of extraordinary shareholders' meetings concerning the modification of 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 will be valid if they are passed on the basis of a vote in favour by attending shareholders representing at least three-quarters (rounded if necessary) of the share capital.

The shareholders' meeting of 29 April 2003 approved the text of the meeting regulations, 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.

The shareholders' meeting of 27 January 2011 modified the text of the regulations in order to take into account the new provisions introduced by Legislative Decree no. 27 of 27 January 2010 concerning "Implementation of Directive 2007/36/EC ("Shareholders' rights directive"), as well as to adapt the regulations to certain organizational requirements. The new, updated version is published on the Company's website at www.gruppohera.it.

During the 2012 financial year, 2 shareholders' meetings were held on 27 April and 15 October, which were attended by 13 and 16 directors, respectively.

Table 1: structure of the Board of Directors and Committees

Consiglio di Amministrazione											Comitato Controllo e Rischi		Comitato Penali		Comitato Nomine		Comitato Esecutivo		Comitato Etico		
Carica	Componenti	In carica dal	In carica fino a	Lista	Esec.	Non esec.	Indip. da Codice	Indip. da TIF	%**	N. altri incarichi***	****	****	****	****	****	****	****	****	****		
Presidente	Tomaso Tommasi di Vignano	01/01/2012	Appr. Bil. 2013	M	X				100%	1								X	100%		
Amm. Del.	Maurizio Chiarini	01/01/2012	Appr. Bil. 2013	M	X				100%	-								X	100%		
vice pres.	Giorgio Razzoli	01/01/2012	Appr. Bil. 2013	M		X	X	X	92%	1	X	100%	X	100%				X	100%	X	100%
Amm.re	Mara Bernardini	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Filippo Brandolini	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Marco Cammelli	01/01/2012	Appr. Bil. 2013	m		X	X	X	92%	-			X	100%							
Amm.re	Luigi Castagna	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Pier Giuseppe Dolcini	01/01/2012	Appr. Bil. 2013	m		X	X	X	85%	-											
Amm.re	Valeriano Fantini	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Enrico Giovannetti	01/01/2012	Appr. Bil. 2013	m		X	X	X	100%	-											
Amm.re	Fabio Giuliani	01/01/2012	Appr. Bil. 2013	M		X	X	X	77%	-	X	82%									
Amm.re	Luca Mandrioli	01/01/2012	Appr. Bil. 2013	M		X	X	X	92%	-	X	91%									
Amm.re	Daniele Montroni	27/06/2012	Appr. Bil. 2013	M		X	X	X	100%	-			X	100%							
Amm.re	Mauro Roda	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Roberto Sacchetti	01/01/2012	Appr. Bil. 2013	M		X	X	X	100%	-											
Amm.re	Rossella Saoncella	01/01/2012	Appr. Bil. 2013	M		X	X	X	92%	-	X	91%									
Amm.re	Bruno Tani	01/01/2012	Appr. Bil. 2013	m		X	X	X	100%	-			X	100%							
Amm.re	Giancarlo Tonelli	01/01/2012	Appr. Bil. 2013	M		X	X	X	69%	-											
----- AMMINISTRATORI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO -----																					
Amm.re	Nicodemò Montanari	01/01/2012	26/06/2012	M		X	X	X	100%	-			X	100%							
Indicare il quorum richiesto per la presentazione delle liste in occasione dell'ultima nomina: le liste possono essere presentate da Soci che rappresentino almeno l'1% delle azioni aventi diritto di voto nell'assemblea ordinaria.																					
II. riunioni svolte durante l'esercizio di riferimento				CDA: 13			CCR: 11			CR: 3			CN: 7			CE: 7			CEtico: 5		

Notes:

*This column indicates LA/m/M according to whether the member was appointed by Local Authorities (LA), by a minority (m) or by a Majority (M).

** This column indicates the percentage of attendance by directors at the meetings of the Board of Directors and of the Committees (no. of attendances/no. of meetings held during the effective period of office of the person concerned).

*** 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, in financial, banking or insurance companies or in large enterprises.

**** In this column, an "X" indicates that the person concerned, a member of the Board of Directors, belongs to the Committee.