

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

The Hera Group is the **major multi-utility company by market capitalization in Italy**, with a fast and un-interrupted growth since its establishment in 2002. The Company has **always focused on sustainability** and has promoted an evolution of its approach starting with "Environmental care", moving to a "multi-stakeholder approach", then developed into "Corporate social responsibility". Nowadays, Hera is moving head to an approach aimed at transforming activities in line with the **"Circular Economy model"**. The progressive evolution of the approach is due to a strong commitment of the Company toward these issues being founded more than 50 years ago by local public entities.

From floatation (2003), management was given the mission to further promote this traditional sensitiveness which affects people working in Hera since beginning. Consequently, the Governance has significantly changed over last years for this purpose.

Mission, value, and Code of Ethics constitute today the basis from where business strategy takes off. The Governance has formally brought Sustainability at board level, and the organization has been changed consequently in order to decline long-term sustainability targets into short- and long-term targets of the MBO assigned to each manager working in Hera in order to gain commitment toward sustainability. Today, business planning procedures envisage capital allocation mechanism to be implemented based on their impact on SDGs, and long-term targets have been fully embedding targets on the **Creation of Shared Value**. In 2020, three years after its creation, the CSV framework underwent a review and was updated given the new challenges of the global scenario. The analysis of global megatrends and the internal listening process, conducted through individual interviews and focus groups, were the main new aspects. In continuity with the past, UN Sustainable Development Goals and policy analysis were also considered, including the European Taxonomy for Sustainable Finance that is currently being developed. Global megatrends were an important addition to the analysis of the 98 European, national and local policies implemented over the past five years, and of the 2030 UN Agenda. The new framework is made up of three drivers:

- Energy - Pursuing carbon neutrality,
- Environment - Regenerating resources and closing the loop,
- Local area (and Business) - Enabling resilience and innovating.

An important step, approved by the shareholders' meeting, was the introduction of the concept of "Purpose" into the Hera's Articles of Association with a focus on creating shared value. In particular, a further paragraph has been inserted in Article 3 to clarify the corporate purpose, or the objectives that multi-utility aims to achieve in carrying out the business activity, and thus reaffirm its commitment to sustainability, which characterize since birth.

The new paragraph reads as follows: "(...) **the Company organizes and carries out business activities also with the aim of promoting social equity and contributing to the achievement of carbon neutrality, the regeneration of resources and the resilience of the system of managed services**, for the benefit of customers, the reference territorial ecosystem and future generations".

The updated Bylaws allow the Hera Group to strengthen its commitment to the energy transition and the circular economy, through innovation and digitization, as well as in the promotion of social equity. On the back of this approach, Hera serves around 4.2 million citizens in 331 municipalities spread over 5 Italian regions (Emilia-Romagna, Veneto, Friuli-Venezia Giulia, Marche and Tuscany). Main services provided are: distribution and sale of gas and electricity; aqueduct, sewage and water purification services and collection; recycling and treatment of third party's waste.

Hera confirmed its leading position in all businesses managed in Italy, and obtained the following ranking, compared to other listed companies:

- 1st operator in the environmental sector as for treated waste
- 2nd operator in the water cycle sector as for volume of water supplied
- 3rd operator in the distribution of gas as for volume supplied
- 3rd operator in the sale of gas and electricity as for number of customers
- 4th operator in the public lighting sector as for number of light points managed
- 5th operator in the electricity distribution sector as for volumes distributed

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	Yes	1 year

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

- Bulgaria
- Italy

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Financial control

C-EU0.7

(C-EU0.7) Which part of the electric utilities value chain does your organization operate in? Select all that apply.

Row 1

Electric utilities value chain

Distribution

Other divisions

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	Through the "Executive Committee", the CEO has the responsibility to guarantee the commitment of the Group managers in implementing the Shared Value and Sustainability guidelines, which directly affects the variable remuneration of the directors (balanced scorecard system). Such system sets climate-related targets for the management and supervises results achieved on quarterly basis. The CEO also decides corrective action plans when targets are not met. To ensure that sustainability is an integral part of corporate planning and management, the Board of Directors has set up a Shared Value and Sustainability Department which reports directly to the CEO. This department is in charge of: defining and proposing corporate guidelines concerning shared value and sustainability; overseeing the balanced scorecard system; reporting on shared value and sustainability; proposing and managing new sustainability projects; ensuring the periodic updating of the Group's Code of Ethics. In 2019, the CEO decided to define a process in order to gradually comply with the recommendations of the TCFD through a dedicated cross-functional team. Such team comprises Shared Value and Sustainability Department, Risk Management, Strategic Planning, and Energy Management. Furthermore, the CEO approved climate change goals to be met by 2030, among which the reduction in ghg emission scope1+2+3 (-37% by 2030; -15% by 2024) and the reduction of energy consumption (-10% by 2030; -7% by 2024).
Chief Risk Officer (CRO)	The Risk Committee has the duty to support the Board of Directors in setting risk management policies and in developing specific rules and targets for each manager dealing with climate change risks and opportunities. The Committee is built up by the Executive Chairman, the Vice Chairman, the CEO, the Market Group Manager, the CFO, and the Group Risk Manager. Furthermore, in relation to specific issues of competence, the meetings of the Risk Committee can be attended by the Legal and Corporate Affairs Group Manager, the Group Manager of Corporate Services, the Group Manager of Innovation and the General Manager of Hera Trading. The Enterprise Risk Manager coordinates risk exposure at Group level and promotes a homogenous approach to risks and climate change issues in the Group's different companies, businesses and operating units in order to guarantee the proper coverage of risk exposure. The ERM reports to the Board twice a year. The Risk Committee might meet each senior operating manager to discuss any relevant specific issues identified. Furthermore, the Group Risk Manager has the duty to interact with all Group managers at operating level on daily basis in order to verify and support them with regard to risk and climate change issues. Since 2019, the CRO has decided to further study the risk scenarios involved in climate change, having significance for Group activities were mapped. The relevant risks dealt with within the Risk Committee refer to the following areas: strategic, economic, financial, regulatory, competitive, technological, environmental, and human capital. The risks examined include both physical and transitional risks linked to climate change.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Setting performance objectives Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	<Not Applicable>	Four times per year, a Management Review Meeting is called to discuss quarterly achievements of the targets set in the "Balanced Scorecard System", that are also related to climate change issues. These meetings are chaired by the Executive Chairman and the CEO among Senior Operating Managers (about 25 people), with the aim to discuss potential issues emerged.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Other, please specify (Executive Chairman of the Board of Directors)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Chief Risks Officer (CRO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Chief Sustainability Officer (CSO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Energy manager	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Business unit manager	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

The **CEO**, being executive director of the Board of Directors and a member of the "Executive committee" and "Risk Committee", is responsible to **set and monitor targets on climate change issues** through the implementation and the supervision of the "Balanced Scorecard System". As stated before, such system is crucial as it links variable remuneration of the management to climate-related issues and allows to monitor progress and results on the climate change targets set for each specific manager.

The **Executive Chairman of the Board of Directors** and member of the "Executive committee" and "Risk Committee" is responsible of **strategic planning** and sets the **strategic guidelines and targets on climate change and capital allocation**. During "Business Management review" meetings, held on quarterly basis, he monitors the work-in-progress and the degree of achievements on planned/budgeted projects and targets, including those on climate-related issues.

The **CRO**, in staff to the "Market" organizational unit (that reports to the CEO), has the responsibility to: ensure the **definition and assessment of climate-related risks**, also through the use of methods and criteria consistent with the best practices recognized in the sector; supporting the top management in **defining the corporate risk profile** and the related guidelines, in particular through the participation in the "Risk Committee"; ensuring the development and management of energy- and climate-related risk analysis and assessment models, in particular by carrying out scenario analysis and assessment of the energy portfolio risks - also in relation to market and regulatory developments - and identifying risk exposure limits, guaranteeing moreover the relative monitoring.

The **CSO**, in staff to the CEO, has the following responsibility: to **develop and spread Shared Value and Sustainability guidelines**; to report on sustainability progress and targets; to manage the definition and implementation of the Balanced Scorecard System. Responsibility lies to that position in order to **integrate climate change risks and sustainability in the Balance Scorecard System**.

The **Energy Manager**, in staff to the "Business development" organizational unit (whose interim director is the CEO), has the responsibility to support the CEO in developing energy saving initiatives and defining projects related to climate change issues.

The **Business Unit senior managers** (head of water, waste, energy networks) and **senior managers heading Group multi-utility companies** have the responsibility to implement Group policies, manage and monitor **business specific** climate-change risks and opportunities, and to share status of art with top Executives on quarterly basis during "Business Management review" meetings.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Corporate executive team	Monetary reward	Emissions reduction project Emissions reduction target Energy reduction project Energy reduction target Efficiency project Efficiency target	The members of the "Corporate executive team" are engaged in different activities included in Hera's business portfolio. Each of them is assigned to a specific sustainability target related directly or indirectly to their specific activity such as carbon intensity, energy efficiency, saving of resources, recycling rate, renewable energy, social issues, diversity, etc. For instance: the Chairman of the legal entity involved in waste treatment has targets such as the development of renewable energy generation plants (Waste-to-energy plants); the CEO of the energy supply company and the responsible of commodity trading of the Group have targets on customer campaigns to promote energy savings/ energy efficiency and to procure "green energy" to support the reduction of the Group energy consumptions. In 2020, KPIs relating to climate change and sustainability accounted for 35% of total variable remuneration. Total variable compensation can reach 30% of fixed annual wage. Overall, at Group level, about 16 senior executive managers do have their variable compensation dependent upon GHG reduction targets/projects. The CEO and some key managers considered "strategic" for the Group are assigned with a long-term monetary bonus plan (3 years) linked to targets on financial leverage, Shared value creation, and EVA, which directly and indirectly refers to climate change issues.
Board Chair	Monetary reward	Please select	The Chairman of the Board of Directors is an "Executive" director. In fact, he has decision-making power and specific responsibilities on the business and staff functions of the whole Group. His variable remuneration (50% of fixed) depends also upon the Group financial and sustainability performance. As for sustainability performance, there are explicit targets on carbon footprint, energy efficiency, spread of renewable energy, saving of resources, waste management, social issues, diversity, etc.
Chief Executive Officer (CEO)	Monetary reward	Emissions reduction project Emissions reduction target Energy reduction project Energy reduction target Efficiency project Efficiency target	The CEO has direct decision power on the Group companies and has specific responsibilities on the businesses and staff functions. His variable remuneration (50% of fixed) depends also on the Group financial and sustainability performance. As for sustainability performance, there are explicit targets on "shared value creation" topics such as: carbon intensity, energy efficiency, spread of renewable energy, saving of resources, waste management, social issues, diversity, etc.
Risk manager	Monetary reward	Emissions reduction project Emissions reduction target	The Risk Manager is involved in identifying appropriate analysis and techniques to control different type of risk and hedging possibilities in order to minimize risks, penalties and reputational risks at Group level. His variable remuneration (30% of fixed) depends also on climate change and sustainability performance, in particular on improving the overall Hera Group mitigation response to climate change. The weight of sustainability KPIs is 35% of total variable remuneration.
Energy manager	Monetary reward	Energy reduction project Energy reduction target Efficiency project Efficiency target	The Energy Manager is involved in managing energy consumption and defining new projects in order to reduce it. In fact, his variable remuneration (22% of fixed) depends on KPIs on energy consumption: definition of initiatives in order to reduce Group's energy consumptions (in order to reach -7% in 2024 and -10% in 2030); presentation of white certificates (energy efficiency certificates) to GSE (Italian body in charge of approving specific projects on energy efficiency); manage actions in order to maintain ISO 50001 certification. The weight of sustainability KPIs is 35% of total variable remuneration. Business unit managers (engaged in water, waste, gas, electricity, etc.) have been assigned business-specific targets related to energy efficiency, carbon footprint, conscious use of resources, waste management environmental impact, efficient and conscious water management, and sustainability KPIs applicable to the specific businesses in which they are involved.
All employees	Monetary reward	Energy reduction project Energy reduction target Efficiency project Efficiency target	The performance bonus of middle managers, white-collar workers and blue-collar workers is defined within the Group supplementary collective labour agreement and it is based on profitability, productivity, sustainability and sector-specific indicators.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	5	Short-term horizon is related to targets to be reached within 5 years and linked to the Group's five-year business plan (Business plan timescale).
Medium-term	5	10	Medium-term horizon is related to targets to be reached by 2030 (Decarbonisation targets timescale).
Long-term	10	30	Long-term horizon is mostly aligned with UE 2050 targets (European Green Deal timescale).

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

Hera implements two kinds of impact measurement metrics: economic-financial and reputational. The *economic-financial metric* identifies a monetary value deriving from the risk scenario, which is then placed on a 1-to-4 scale of values (in which 4 is considered to have substantive financial or strategic impact on the business, measured in term of impact on Company's financial margins and net financial position) whose monetary intervals are defined by Hera's Board of Directors. The *reputational metric* measures the entity of the impact on the basis of a 1-to-4 scale of values (in which 4 is considered to have substantive financial or strategic impact on the business, measured in term of time needed to recover the reputational damage generated) , structured in ambits divided up by each stakeholder potentially impacted, which refers to the seriousness of the impact (persistence and extension), also approved by Hera's Board of Directors.

The methodology, the process and the results of risks assessments are approved by the Chairman, the CEO, and the Board of Directors.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

A specific climate-related risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

With regard to the identification, assessment and management of climate risks, the organisational structure adopted by the Hera Group makes it possible to manage the exposure to risk arising from its businesses and, at the same time, to preserve the effectiveness of management along the entire value chain. In our corporate governance system, the Control and Risks Committee (composed of Executive Chairman; Vice President; CEO; CFO; Market Central Director; Enterprise Risk Manager; IT, Data and Cybersecurity managers), which is a part of the Board of Directors, is responsible for monitoring the functionality of the internal control system, the efficiency of company operations, and the compliance with laws and regulations as well. The Control and Risks Committee receives regular reports from the Risk Committee, which is the main body for steering, monitoring, and reporting on risk management strategies, including climate risks. The Risk Committee is responsible for defining the guidelines for the Enterprise Risk Management process, the mapping and monitoring of corporate risks and the definition of Risk Policies, to submit to the Board of Directors for approval. Specific risk analyses are conducted by the Enterprise Risk Manager or by the Risk Specialists, who play an essential role in identifying, assessing and controlling how risks are managed. Climate-related risks, both physical and transitional, are included in the risk categories that have been analysed by the Enterprise Risk Manager. In order to maximise the consistency of the management strategy, these bodies meet periodically. During 2020, the Risks Committee met four times and the Controls and Risks Committee met seven times. On 13 January 2021, the sixth Enterprise Risk Management report on the 2020-2024 Business Plan was presented to the Board of Directors. Over the course of 2020, the ERM analysis made further methodological improvements and refinements, among which the identification of climate change (physical and transitional) risk scenarios relevant to the Group's activities, to begin assessing the impacts and business development opportunities for certain relevant risk factors in keeping with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The climate scenario analysis was conducted by a cross-functional working group and led the Enterprise Risk Manager to define new quantification methods to assess the potential financial impact of the most relevant climate risks. Scenario analysis is a methodology used to test the resilience of business plans under different assumptions of future developments. In the context of climate change, the analysis of scenarios helps us to understand how physical and transitional climate opportunities and risks may affect our business over time. To carry out its analysis, Hera Group has selected the two most relevant scenarios out of nine taken as a starting point: IEA ETP 2DS and IPCC RCP 8.5. The analysis of the ETP 2DS and RCP 8.5 climate scenarios has allowed to identify eight physical risks, eight transition risks, and 15 opportunities. Each risk and each opportunity have been linked to: • a timescale; • a priority level (defined as the combination of the level of likelihood that the context in which Hera operates will change as described by the risk/opportunity and the level of impact of the risk/opportunity on the business); • one or more management methods (for risks) and one or more business initiatives (for opportunities). The RCP 8.5 climate scenario analysis conducted by the Hera Group, combined with the investigations already carried out by Enterprise Risk Management with the business units, has led to the identification of eight physical risks. The physical risks are distributed over the medium- and long-term timescales, with more occurrences in the 2031-2050 horizon consistently with the notion that the impacts of climate change will become increasingly evident in the long term. To mitigate, manage or transfer these risks, we also identified 21 management methods. Some of the management methods envisaged in the 2020-24 business plan are described in our Sustainability Report 2020 in the section on Hera's climate strategy. Of the eight physical risks assessed, we have subjected those with a higher priority level to an in-depth analysis to quantify their financial impacts. In particular, the risk associated with the decline in gas consumption and district heating for civil use as a result of the temperature increase has been assessed as significant in the long term. We have identified transition climate risks mainly by the analysis of the International Energy Agency's ETP 2DS scenario. The analysis has led to mapping eight transition risks, mainly concentrated in the medium-term time horizon, but distributed over all categories of the classification suggested by the TCFD. We have also linked each risk to one or more management methods, for a total of 12 which will allow the Group to be better prepared for possible future changes. Some of the management methods envisaged in the 2020-24 business plan are described in our Sustainability Report 2020 in the section on Hera's climate strategy. We have further investigated the transition risks considered to be a priority to assess their financial impacts. The risks related to trends in energy efficiency and electrification of consumption, and to the extension of carbon pricing systems were significant. We have defined management methods and monitoring indicators for each risk class. The Hera Group has identified the opportunities arising from decarbonisation processes on the basis of the International Energy Agency's ETP 2DS scenario. The analysis has led to the identification of 15 opportunities, mainly associated with projected reductions in greenhouse gas emissions, increased demand for electricity and greater use of renewable energy sources, and the development of advanced biofuels. Most of the opportunities are expected in the short term and we have identified 33 initiatives to seize them. We have classified ten of the opportunities as relevant in the short term (by 2024). We have further developed the initiatives designed to capture the most promising opportunities to feed into Hera Group's new 2020-2024 business plan.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Group's activities are subject to several environmental laws and regulations on CO2 emissions, sewage and waste management. The Group tackles environmental risks both through ongoing monitoring of emission factors to ensure the transparency of measurements and through major investments in purification and water reclamation plants that guarantee even better quality of water compared to legal limits (Italian Legislative Decrees 152/2006 - 31/2001). The Group's website provides the previous day's average emission values and "half-hourly averages" of the Group's waste-to-energy plants. The data are automatically transmitted by the detection systems, operational 24/7 in all the Group's plants. The waste collection system is committed to increase the percentage of recycling of packaging (already 72% in 2019; EU target: 65% by 2025; 70% by 2030), overall recycling rate (already 56% in 2019; EU targets: 55% by 2025; 60% by 2030; 65% by 2035) and reducing the use of landfills (already 3.4% in 2020; EU target: not over 10% by 2035), in line with the provisions of national and European legislation (EU Circular Economy Package). Environmental analysis of the sites has been improved to allow more effective data collection (separate waste: 65.3% in 2020; 64.6% in 2019). The national average was 61.3% in 2019) and determine the significance of environmental aspects in both normal and emergency conditions. Moreover, within the context of the long-term trend of climate change, the Hera Group is committed to contributing to its mitigation by complying with energy efficiency goals set by the law (Italian Energy Strategy: -32% energy consumption by 2030), by continuing to constantly improve production, and by encouraging virtuous and responsible consumption by customers to reduce CO2 emissions and to minimize environmental impact. In this regard, Hera has created a special Esco (Energy Service Company) which has the objective to develop initiatives for business and domestic customers, aimed at promoting the use of efficient energy production with environmental benefits in terms of CO2 reduction, and the use of efficient and energy-saving technologies designed to ensure optimal use of energy resources with significant advantages both for consumers and the environment. Lastly, main companies of the Hera Group only use electricity from renewable sources, certified by Guarantee of Origin.
Emerging regulation	Relevant, always included	Risk assessment monitors national and international emerging regulations related to climate change and gives its contribution through targeted actions and aiming at informing strategy and targets with the implied transition risks. As stated in "Current regulation" question, the Group is committed to EU targets of the recent "Circular Economy Package". In fact, Hera's business plan has set targets even more challenging than EU's: recycling of packaging >75% by 2024; overall recycling rate at 67% by '24; separate waste collection at 75% by '24. Hera has already reached EU target related to the reduction of landfill disposal (already 3.4% in '20; EU target: not over 10% by '35). Moreover, Hera is one of the 250 companies worldwide and the only Italian multi-utility company that signed the "New Plastics Economy Global Commitment" of the Ellen MacArthur Foundation in 2018, in collaboration with UN Environment. Specifically, the Hera Group is committed to increasing by 2025: by 30% the amount of plastic collected; by 50% the amount of plastic sorted and recycled by the Group's plants; by 70% the plastic recycled by Aliplast (Hera's company leader in Italy in recycling of plastic). The same targets were presented also at the "EU-wide pledging campaign for the uptake of recycled plastics" promoted by the European Commission to accelerate the diffusion of recycled plastics and achieve the European target of 10 million tonnes of recycled plastic used for new products by 2025. As for energy consumption, Hera has set targets to be compliant with the EU Energy Efficiency Directive, updated in 2018, and with the 2017 Italian Energy Strategy. In fact, Hera aims at: reducing its own consumption of energy of 7% by 2024 (-10% by 2030) through energy efficiency interventions; reaching 42% of customers with energy efficiency solutions by 2024; promoting energy efficiency for Public Administration, condominiums, businesses. As for renewable energy, Hera has analysed the EU Renewable Energy Directive and Italian regulations on biofuels. In 2018, Hera completed a new plant (near Bologna) for the generation of biomethane from the organic fraction of separate waste collection, which is then sold for powering public motor vehicles (7.8 million cubic meters produced in 2020). Moreover, Hera has recently started the authorisation phase for the construction of two other biomethane production plants in Ravenna and Modena.
Technology	Relevant, always included	The Hera Group monitors technology risks in its re-assessment. For example, one of the risks resulting from the risk analysis is the risk of reliance on inefficient or no longer adequate technologies and plants compared to future technological innovations profiled in national development scenarios, with the need to replace existing services and products with new solutions/technologies that are more sustainable and less impact-effective in terms of GHG emissions. Another example is the risk of not being able to comply with the technological evolution required by the external context due to the absence of specialist know-how and key figures to be counted in the internal staff and /or risk of planning the future strategic orientation of the Company on the basis of technical and specialist knowledge not updated /inconsistent with the innovations to which the market is subject in terms of new products and services.
Legal	Relevant, always included	The Hera Group monitors legal risks in its re-assessment. For example, one of the risks resulting from the risk analysis is the risk of increased exposure to litigation deriving from changes in regulatory framework on GHG emissions management. This risk is monitored and managed. To prevent litigation risks, Hera has improved environmental assessments and analysis of plant sites and of their surroundings to allow more effective data collection capable of giving evidence of the Group proper management of activities to reduce their impact on environment. Analysis are carried out on fresh water supplied to customers, sewerage water introduced to the environment, waste treatment processes (pollution, GHG and CO2 emissions from plants), and reinforced resilience and leakage detection of networks leakages. A specific department is in charge of dealing with Authorities in order to sustain them in the discussions to define the changing rules or the new directive in order to collaborate and to gather a better knowledge of the background of the laws so to increase the understanding on their application. Moreover, Hera is committed to maintaining a constant dialogue with business stakeholders to communicate business initiatives and transparent reporting on the climate impacts of business activities.
Market	Relevant, always included	The Hera Group monitors market risks in its re-assessment. For example, one of the risks resulting from the risk analysis is a general increase in electricity demand at the expense of natural gas consumption, in the context of the energy transition characterised by a strong push towards electricity consumption. The consequent need is to adapt to new requirements for the introduction of renewable energy sources in the energy sector at European, national and regional level with a critical impact on existing thermoelectric resources. The Business plan to 2024 addresses several commercial initiatives in this regard highlighting the evolution of Group's service offers towards the demand evolution to maintain our competitiveness of services, such as an increased presence in the field of electricity distribution.
Reputation	Relevant, always included	The Hera Group monitors reputational risks in its re-assessment. For example, one of the risk resulting from the risk analysis is the deterioration of trust in the Company by stakeholders due to perceived responsibility in climate change. As a consequence, another risk is the non-access to debt capital and risk due to excessive misalignment of environmental activities and performance with respect to climate benchmarks defined by the regulator (e.g. EU Taxonomy) and private analysts. To prevent reputational risks, Hera is committed to expanding its presence in areas in line with international recommendations on combating climate change and related business reorientation, supporting low-impact energy production and transparent reporting on the climate impact of business activities.
Acute physical	Relevant, always included	The Hera Group monitors acute physical risks in its re-assessment. One of the risks resulting from the risk analysis is an increased frequency and/or intensity of extreme precipitation that can cause flooding of rivers, resulting in the risk of hydrogeological failure. Among the possible consequences are inoperability or damage to the Group's plants, structures, networks and company vehicles and environmental damage due to the possible leakage of the leachate from landfills. To prevent and manage this risk, Hera is committed to strengthening emergency response services to support users and to creating infrastructure works that can protect corporate structures/networks/locations from extreme rainfall events. Another acute physical risk resulting from our climate risk assessment is the more frequent or intense extreme heatwaves in summer, with potential direct repercussions on human health. This can cause increased water consumption, overheating of electrical grids due to reduced night/day temperature differential, and can increase the risk of fire. In this case, Hera is committed to strengthening the electricity/water distribution network and adapting components and equipment potentially exposed by the new climatic conditions.
Chronic physical	Relevant, always included	The Hera Group monitors chronic physical risks in its re-assessment. One of the risks resulting from the risk analysis is e.g. the general and continuous increase in both daily and seasonal maximum and minimum temperatures, resulting in average mild winters and potentially scorching summers. The increase in temperatures potentially causes multiple effects on the Hera Group's business, including the reduction in the volumes of gas sold in the medium and long term, the increase in electricity consumption by Company's infrastructure, and inefficiency in the provision of services. Hera manages this risk by strengthening the electricity distribution network and adapting equipment to new climatic conditions, managing plants and locations more efficiently for lower consumption and energy needs, and implementing market strategies oriented towards the deseasonalization of margins/revenues and the development of value-added services dedicated to customers.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Climate change impacts might imply also more frequent and extreme drought (less rainfalls and higher temperatures). This risk might affect the reference territories of Hera's water services (second player in Italy), serving 3.6 million citizens through a network of 35k km length. The water network is fed with underground water (50%), surface water (42%), and springs (8%). A stress test analysis of drought's potential impacts on water networks has been performed, and appropriate measures have been identified and planned in a long-term strategic action plan. Drought might reduce water sources, causing the disruption of the distribution service (which would need to be replaced through expensive distribution by water-tank trucks) and an increase in broken pipelines. In fact, dry soil might cause increasing "tensions" on pipelines causing a higher likelihood of breakage thus water leakages. Hera's water network has been interconnected to differentiate the sources of water available so to feed the networks in most exposed areas with different sources and to reduce breaks and leakages.

Time horizon

Long-term

Likelihood

About as likely as not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

6000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Droughts may increase damage to underground assets, create water leakage, cause distribution service disruptions, damage Company's reputation, and decrease customer's satisfaction. While standard leakages, asset maintenance and water sourcing costs are covered by a regulated tariff, on the other hand the premiums for the "quality of the service" and of "technical quality" guaranteed by the tariff system would be at risk in case of service disruption. Premium represent about 2-4% of the Water business' EBITDA margins that might therefore shrink (equal to about 6 million euro per annum in term of EBITDA– less than 1% of the overall 2020 Group's EBITDA).

Cost of response to risk

556000000

Description of response and explanation of cost calculation

Business plan to 2024 addressed this issue by allocating € 556 million capex to implement the measures defined (i.e., to perform extensive districts in the network so to "bypass" potential breaks, to diversify water sources, and to lower water pressure in pipes). Capex have been agreed upon with Authorities and are recognized into the tariff system (and remunerated as usual). Main change relates to include the drought issue in the rational of the program to substitute obsolete pipelines and to build districts on the networks (not based only on pipelines age, frequency of breaks, etc. anymore but introducing the prioritization of the most exposed pipelines to the issue, too). The entire water network is linked to remote-control units and leakage detection tools even through satellite systems, in order to guarantee a proper monitoring system of the network with a high degree of automation for emergency measures. Substitution programs of obsolete pipelines have been reviewed to focus on most exposed areas to drought risks. R&D Department is also developing smart devices ("Smart ball") to be introduced into the network to promptly detect breaks and leakages. The Group aims also at reducing the demand of fresh water, targeting -17% consumptions within the Group by 2024, by promoting a responsible use of water in retail customers and on water-intensive business clients. Other projects focus on re-using deperated wastewater in business customers operating in agriculture. Finally, Hera is taking part to "Top utility of the world" that samples largest and outstanding utilities world-wide where participants share know-how on different operating issues and on innovative business solutions for utilities.

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Market	Changing customer behavior
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Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

The Hera Group provides energy (distribution and sale of gas and electricity services) to citizens and Group enterprises, being the 3rd operator in Italy in the sale of gas and electricity as for amount of customers (2.1M gas customers; 1.3M electricity customers). The risk identified refers to a general increase in electricity demand to the detriment of natural gas consumption, in the context of the energy transition characterized by a strong push towards electricity consumption. In this sense, Hera must adapt to new requirements for the introduction of renewable energy sources in the energy sector at a European, national and regional level with a critical impact on existing

thermoelectric resources.

Time horizon

Long-term

Likelihood

More likely than not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

40000000

Potential financial impact figure – maximum (currency)

50000000

Explanation of financial impact figure

According to estimations performed by the Group, we expect to see an average reduction of demand in gas of 2.5% per year up to 2030. This estimation is based upon the expectation to move toward progressive decarbonization at a path compliant to the scenario "Well-below 2 degrees" (our decarbonisation path estimations have been certified Science Based Targets). As a consequence, we expect a reduction of 2030 Ebitda on Gas Supply activities of about 20-25% corresponding to 40-50 million Euro per year. This is the "Gross" Risk directly linked to the reduction in the demand of methane gas without considering any "Netting" potentials deriving from several opportunities related to the matter

Cost of response to risk

0

Description of response and explanation of cost calculation

Cost of response risk is currently zero (the matter is currently having negligible impacts) since no recurrent revenues nor cost are impacted. The matter mainly affects "the way and where you invest in development". To effectively respond to this risk, Hera is going to increase its presence in the electricity distribution sector, increase the shares of customers in the electricity sector due to the change in the energy vector, and strengthen the actions on end customers, with the growing role of value added services. Value Added Services mainly regards all activities of refurbishing home buildings in order to increase thermal and energy efficiency or to switch from gas to electricity heating systems. Hera expertise in this activity is strong and certified, and is currently already generating good returns more than compensating the negative impacts estimated above (of -2.5% of Ebitda per year of supply margins of this year).

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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Primary potential financial impact

Increased capital expenditures

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Italian Authority's standards impose a maximum length for disruption of electricity distribution. Heavy snowfalls, hailstorms or storms might damage the network, cause default of the system, and make the access to the net difficult for the maintenance team, thus increasing the risk of delaying works and operations. The Hera Group manages electricity networks for an overall length of about 13k km in areas that might be impacted by these factors (e.g. close to trees than might interrupt or damage such assets). Here, the issue is mainly related to the timing necessary to the re-activation of the service so to guarantee a fast resolution or eventually prevent the disruption of the electricity services, which is crucial in order to avoid sanctions (transition risk regarding fines established in the Italian regulatory framework).

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

5000000

Explanation of financial impact figure

EBITDA from electricity distribution weights around 4% of the overall 2020 Hera Group's EBITDA. In some years, we have experienced delays in re-activating the Electricity distribution services because of the difficulties caused by strong snowfalls. The large amount of snow falling make it difficult to quickly assess and locate the damaged assets. Because of this delay, Hera received a financial penalty that was about 2% of the distribution normal EBITDA, equal to €3 million out of a total Group 2020 Ebitda of €1.1 billion. The range covers the possibility of not receiving a fine as well as the potential fine for the delays on the re-activation of the electricity network.

Cost of response to risk

60000000

Description of response and explanation of cost calculation

A large part of the activities needed to monitor and detect service interruptions are already centralized in a single network control centre to which all managed networks transmits data on main KPIs in real time. Mini drones have been employed to quickly assess the status of the network and to allow for a focused and more extensive maintenance activity during the year. Every year, prevention activities to minimize the threats surrounding the assets are performed. Moreover, mini drones permit damage assessment almost in real time also in extreme weather conditions, when even helicopters cannot be employed. The mini drones can bypass large obstacles that eventually increase difficulties to access and analyse the damaged assets. In this way maintenance and repairing activities are way faster, thanks to a quicker and easier understanding of the kind of intervention needed and the location and the type of assets to be repaired. Hera business plan to 2024 includes around 60-million-euro investment plan to enhance electricity networks resilience in case of extreme weather conditions (e.g. storms and snowfalls) agreed with the Authority which recognized capex plan within the tariff scheme (which guarantees the regulated return on investments). Other management methods identified to respond to that risk are: • Changes in the types of roofing elements of the Company's sites and systems and increased controls on the fastening of the roofing elements • Presence of snowplow vehicles • Strengthening of the emergency services • Implementation of works for the protection from extreme events.

Comment

The issue is not addressed only by cost full activities or applying different tools (drones) to carry out monitoring activities or providing a capex plan to 2024 to strengthen the network by applying steel cables to the networks in order to increase the resilience of the net to those kind of risk/events. Hera is strongly engaged in analysing and testing advanced solutions that exploit data analytics, artificial intelligence developing start up and partnerships to develop an effective pre-dictive maintenance and a real time monitoring system of the networks.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of new technologies

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

The decarbonisation of the gas supply chain is based on development and penetration of biomethane, but also on that of hydrogen. Strategies at national and EU level to establish a hydrogen market are starting to be developed to promote this energy vector as well. As for biomethane, 2020 was the first full year of industrial operation of Hera's biomethane production plant near Bologna. 7.8 million cubic metres of biomethane were produced and fed into national network (+20% with respect to previous year), exceeding production forecasts (i.e. 7.5 million cubic metres) by more than 5%. In 2020, we started the authorization process for two projects designed to increase the biomethane production at Hera Group's plants. Both projects concern the revamping of two existing plants: the first one will partially convert an anaerobic digestion and composting plant in the municipality of Ravenna from electricity production only to combined production of electricity and biomethane; the second will add an upgrading section to the liquid waste anaerobic digestion plant in Modena. Overall, the Group's target for 2024 is to produce more than 15.5 million cubic metres per year of biomethane from organic waste (doubling the current amount achieved). The target for 2030 will be even more ambitious, with the Group generating 30 million cubic metres per year. Hera's commitment is going to grow in the next years, thanks to future incentives and new technologies, producing more "green" gases, including hydrogen.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

3000000

Potential financial impact figure – maximum (currency)

5000000

Explanation of financial impact figure

We expect to improve the Ebitda figure by 3-5 million Euro within 2030 (included in Business plan). This estimation is based on the target to 2030, built on projects we are developing and described in the section "strategy to realize opportunity".

Cost to realize opportunity

18000000

Strategy to realize opportunity and explanation of cost calculation

Support for the development of new green supply chains such as hydrogen is included in the mandate program of the Regional Council of the Emilia Romagna Region. The Group will be able to take advantage of the incentives that will be introduced to convert some of its plants and to generate new value for its assets and for some that will see a decrease in the support schemes envisaged so far. Main initiatives envisaged by this opportunity concern: • Introduction of Power-to-Methane technology for the storage of electricity • Production of hydrogen by electrolysis through energy produced by waste-to-energy and purification plants • Development of technologies for the production of syngas and green hydrogen from electrolysis and thermolysis. In 2020 Hera has signed an agreement with two companies (Yara Italia and Sapio) to initiate a joint series of analyses and research which, by the end of 2021, will assess the technological, economic and regulatory feasibility of a project to use renewable energies and to develop a green hydrogen supply chain, including its generation, transport and subsequent use to produce fertilizers. In particular, the envisaged experimental hydrogen generation plant would use the renewable energy produced by the waste-to-energy plant in Ferrara to produce hydrogen from water and to feed the nearby Yara Italia's industrial plant dedicated to fertilizer production. Sapio will be responsible for scouting plant technology and further investigating technical solutions to supply Yara's plant. Estimates show a production capacity of 500 tonnes per year of green hydrogen. At the same time, Hera is launching further studies concerning: - Use of renewable energy from the Modena WtE to produce green hydrogen for local mobility ("Hydrogen Valley" of Modena) - Use of renewable energy from the Padua WtE to produce hydrogen to supply to the ENI's biorefinery near Venice, for the production of biofuels. The capex plan has embedded 18 million euro to the projects.

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of lower-emission sources of energy

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

To be effective, energy transition must be addressed not only by migrating to electricity carrier but by decarbonizing the gas carrier as well. As for biomethane, 2020 was the first full year of industrial operation of Hera's biomethane production plant near Bologna. 7.8 million cubic metres of biomethane were produced and fed into national network (+20% with respect to previous year), exceeding production forecasts (i.e. 7.5 million cubic metres) by more than 5%. We also generated over 20,000 tonnes of high-quality compost. The biomethane we produced in 2020 was fed into the grid and provided to six service stations (five of which are in Emilia-Romagna and one in Umbria) identified by signs and specific graphics with a "Hera Group Biomethane" logo. Hera Group's corporate fleet operating in Bologna refueled at these service stations, which can also be used by citizens with natural gas-powered vehicles.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

7600000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In 2020, we started the authorization process for two projects designed to increase the biomethane production at Hera Group's plants (for further details, please see our answer to "Strategy to realize opportunity and explanation of cost calculation" of this opportunity). As stated in Hera's business plan 2020-2024, the production of biomethane from these two plants will result in 7.6 mln €/year of EBITDA.

Cost to realize opportunity

52000000

Strategy to realize opportunity and explanation of cost calculation

In next few years, all processes of transforming waste, scraps or agricultural products into biomethane - fully compatible with current networks and characterized by a much lower impact than fossil gas - will acquire greater importance. Hera Group will therefore be able to exploit waste and residues to obtain biomethane, through different technological processes depending on the waste / feedstock matrix used (e.g. sewage sludge, mowing and pruning, urban organic waste, organic eluates waste, ...). Through full exploitation of biomethane production opportunities, the Group will also contribute to the decarbonisation of the gas supply chain, promoting greater social acceptability towards this sector. Business plan to 2024 already addresses the issue of asset readiness in order to progressively transform the network to host other gases different from methane gas. For example, our new smart meters (applying ultrasonic technologies) are able to process other different gases too (syngas, green gas, biomethane, hydrogen). In 2020, we started the authorization process for two projects designed to increase the biomethane production in our plants. Both projects concern the revamping of two existing plants: first one will partially convert an anaerobic digestion and composting plant in Ravenna from electricity production only to produce both electricity and biomethane as well; second will add an upgrading section to the liquid waste anaerobic digestion plant in Modena. By 2023 we will build a new anaerobic biodigester in Pesaro-Urbino. It will be able to treat approximately 105,000 tonnes per year of mowing, pruning and organic waste, from which it will be possible to generate 6 million cubic metres of biomethane and 28,000 tonnes of high-quality compost per year. This is a strategic operation that is even more important since this type of plant is

not self-sufficient in Marche Region. Overall, Group's target to 2024 is to produce more than 15.5 million cubic metres per year of biomethane from organic waste, almost doubling current amounts achieved. Target to 2030 will be even more ambitious, i.e generating 30 million cubic metres. As stated in Hera's business plan 2020-2024, the total investment for the realisation of these projects is 52 mln €.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

Decarbonisation objectives at European level will require a greater boost to energy efficiency interventions, in order to optimize and reduce energy consumption and the associated emissions. In this sense, it is plausible that the conditions to boost energy saving actions are created both at European Union and national level, through incentives and / or streamlining bureaucracy and decision making in favor of interventions. All types of customers (domestic customers, industries and public administration) will be called upon to introduce technological improvements capable of reducing their energy needs. Moreover, higher customers' environmental awareness can drive demand for higher and better energy use efficiency and reduction in expenditure related to energy supply bills. The energy supply bills are the most significant service provided by Hera. Hera Group already has a long and solid experience in providing "energy efficiency" assistance services to help customers being more efficient by increasing demand. Hera is currently offering smart devices to optimize consumption (e.g. LED lamps and smart devices to monitor real-time gas and electricity consumptions) and provides customers with a bill where a personalized benchmark of their consumption compared to previous year's (adapted to current climatic conditions) and to average consumptions of other similar families in the same territory is highlighted. These tools have already allowed savings in consumption; to further reduce customers' consumptions, Hera is offering services e.g. to thermally insulate apartments and to install renewable energy technologies such as heat pumps, photovoltaic, solar, etc. In order to reduce customers' initial investment costs and to make such services more accessible to a larger number of clients, Hera is available to purchase the fiscal benefit that assigns the client's investment (benefit cashed-in by the customer in 10 years) and pays the net present value of the benefit to the customer in advance.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

19000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

Support to customers based on Hera's well-known expertise in energy saving projects allows EBITDA to shift from commodity supply (low margin business) to higher value-added services which could also increase customer loyalty. The business plan to 2024 envisages a 13 mln € Ebitda by 2024 thanks to value-added services sold to gas and electricity customers. Furthermore, at the end of 2020 companies HSE and ASE (subsidiaries that act as Esco - Energy Service Company) managed energy efficiency for around 600 condominiums, that are expected to grow to 1,190 by 2024. Thanks to their energy efficiency services for businesses, condominiums and public administration, HSE and ASE's Ebitda will grow by around 6 mln € by 2024.

Cost to realize opportunity

78000000

Strategy to realize opportunity and explanation of cost calculation

The main initiatives envisaged by this opportunity concern: • promotion and sale of products and services for the efficiency of energy consumption; • support for the energy efficiency of buildings. The cost to realize the opportunity is related to the installation of energy efficiency products (heat pumps, photovoltaic, thermal insulations, solar, etc.) and the realisation of energy efficiency solutions in buildings. Customers can benefit from the investment made by Hera by signing a multi-year contract that allows Hera to cover the investment and margins. Hera has changed its by-laws to explicitly include "energy efficiency services" in the product/services provided to be eligible to obtain energy management certifications. The Group's commercial department is launching new offers for "new" value-added services, taking advantage of cost savings and Hera expertise. In the final months of 2020, we launched some commercial offers to customers ("Hera Caldaia" and "Hera Scaldacqua" options), offering the sales and "turnkey" installation of condensing boilers - with access to tax deductions via a discount directly in the invoice - and high-efficiency gas and electric water heaters. Concerning energy efficiency solutions, in 2021 we will further increase our marketing of heat pump air conditioners for room air conditioning, providing customers with a "turnkey" solution to their specific needs (site inspection, supply and installation, management of any required tax paperwork). We will also continue to offer high-efficiency condensing boilers, including an indoor and outdoor range with several different power ratings, in order to address our customers' diverse system requirements, which will include expert installation fitting thermostatic valves and a smart thermostat to maximise energy savings.

Comment

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	Yes	

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.2a

(C3.2a) Provide details of your organization’s use of climate-related scenario analysis.

Climate-related scenarios and models applied	Details
RCP 8.5	<p>In 2019, Hera launched a process of analysis of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). 1st step was the scenario analysis and the selection of the related risks and opportunities. Hera studied a wide range of transitional and physical scenarios, with the aim to choose two different scenarios to cover both an ambitious one and a pessimistic one. In the first half of 2020, Hera chose the two scenarios suitable for its business: IEA ETP 2DS (transitional) - which better describes regulation and technological expected trends - and IPCC RCP 8.5 (physical) - which foresees more serious physical impacts. In its climate strategy, Hera considers three time horizons: short-term (2021-2024, aligned with Hera's business plan time frame); medium-term (2024-2030, including all climate actions that could be developed after the business plan time frame. Hera has already published some medium-term targets in its 2020-2024 business plan); long-term (2030-2050, containing actions that Hera could implement after 2030, mostly developed starting from the study of scenario analysis). All the time horizons have been taken into consideration during the climate risk and opportunity analysis and are relevant to Hera's strategy from now to 2050. Furthermore, considering all time horizons is crucial to align Hera's strategy to the end-of-life of its asset and to less immediate impacts. The scenario analysis takes into consideration all Hera's business and areas of operations. Innovation, Shared Value, Strategy departments, Enterprise Risk manager, Energy manager were involved during the risks and opportunities definition. Hera studied in detail two different physical scenarios (RCP 8.5 and RCP 4.5), eventually selecting 8.5. Hera compared these scenarios based on some key physical variables and climate indicators: n. of days/yr with heavy rainfall; max. precipitation in one day; n. of rainy days/yr; total annual precipitation; n. of consecutive days without rain; average max. temperature; average min. temperature; heating days degrees. Hera used the forecasting models made available by the European Climate Information Portal (CLIPC). At the end, Hera chose the RCP 8.5, a high-emissions scenario consistent with a "business-as-usual" future with no policy changes to reduce emissions, to consider more serious physical impacts on its business. Studying the main aspects of 8.5 scenario, Hera was able to identify and select which risks and opportunities could affect its business in the time horizons selected. The main aspects taken into consideration are the following physical variables by 2050: 9 days/yr with very strong rainfall; 25 days/yr with heavy rainfall; 45mm max. precipitation in one day; 83 rainy days/yr; 714 total annual precipitation; 32 consecutive days without rain; 20.1°C average max. temperature; 10.4°C average min. temperature; 1588 heating days degrees. Risks and opportunities identified in the first half of 2020 have been then considered in the definition of a more aware strategy during the second half of the year, also in order to define stronger business objectives towards climate change. As a result of the scenario analysis, Hera identified 8 physical risks and 21 related management methods that have been included in its ERM. For example, considering the physical variables related to precipitations and temperature, one of the most relevant impact identified is related to more frequent and extreme drought. This risk might affect the reference territory of Hera's water services (second player in Italy). A stress test analysis of drought's potential impacts on water networks has already been performed, and appropriate measures have been identified and planned in the long-term. Hera's water network has been interconnected to differentiate the sources of water available so to feed the networks in most exposed areas with different sources and to reduce breaks and leakages.</p>
2DS	<p>In 2019, Hera launched a process of analysis of the Recommendations of the TCFD. 1st step was the scenario analysis and the selection of the related risks and opportunities. Hera studied a wide range of transitional and physical scenarios, with the aim to choose two different scenarios to cover both an ambitious one and a pessimistic one. In the first half of 2020, Hera chose the two scenarios suitable for its business: IEA ETP 2DS (transitional) - which better describes regulation and technological expected trends - and IPCC RCP 8.5 (physical) - which foresees more serious physical impacts. In its climate strategy, Hera considers three time horizons: short-term (2021-2024, aligned with Hera's business plan time frame); medium-term (2024-2030, including all climate actions that could be developed after the business plan time frame. Hera has already published some medium-term targets in its 2020-2024 business plan); long-term (2030-2050, containing actions that Hera could implement after 2030, mostly developed starting from the study of scenario analysis). All the time horizons have been taken into consideration during the climate risk and opportunity analysis and are relevant to Hera's strategy from now to 2050. Furthermore, considering all time horizons is crucial to align Hera's strategy to the end-of-life of its asset and to less immediate impacts. The scenario analysis takes into consideration all Hera's business and areas of operations. Innovation, Shared Value, Strategy departments, Enterprise Risk manager, Energy manager were involved during the risks and opportunities definition. Hera studied in detail three different IEA transitional scenarios (WEO 450PPM; ETP 2DS; INDCS Paris Agreement) eventually choosing 2DS. Hera compared these scenarios evaluating main estimations on energy mix, technology innovation, renewables development, carbon price, and so on. Hera chose 2DS as it provides more detailed estimates on global energy system evolution, requires strong political and technological evolutions in order to limit global warming to 2C, and considers a 2050 horizon. Studying the main aspects of 2DS, Hera was able to identify which risks and opportunities could affect its business in the time horizons selected. Main aspects taken into consideration are: ENERGY: increase in production of renewables and decrease in energy intensity by 2050, increase in production of advanced biofuels between 2020 and 2025, increase in import price of natural gas by 2030; ELECTRICITY: (all by 2050) 50% of solar generation from domestic PVs, increase in electricity demand, decrease in emission factor of electricity production, 30% renewable electricity produced; CO2: decrease in CO2 emissions and increase in CO2 price by 2050, strong increase in CCUS between 2025 and 2050. Risks and opportunities identified in the first half of 2020 have been then considered in the definition of a more aware strategy during the second half of the year, also in order to define stronger business objectives towards climate change. Thanks to the scenario analysis, Hera identified 15 opportunities and 33 related initiatives to be included in business strategy and 8 transitional risks with 12 related management methods that have been included in ERM. For example, as for increased production of advanced biofuels between 2020 and 2025, Hera decided to keep studying and planning biomethane generation from waste in a short-term time horizon. Hera is already operating a biomethane production plant from organic waste that produced 7.8 million cubic meters from 100k tonnes of urban organic waste in 2020. Furthermore, in 2020 Hera started the authorization process for two projects designed to further increase biomethane production. Overall, Group's target to 2024 is to produce over 15.5 million cubic metres per year of biomethane from organic waste (doubling the current amount achieved). Target to 2030 will be even more ambitious, generating 30 million cubic metres.</p>
IRENA	<p>According to International Renewable Energy Agency (IRENA)'s "Global energy transformation" 2019 report, electricity will grow from a 20% share of final consumption to an almost 50% share by 2050 - as a result, gross electricity consumption would more than double. Renewable power will be able to provide the bulk of global power demand (86%) and consequently annual energy-related CO2 emissions will decline 70% below current levels. Main drivers of this reduction are energy efficiency, renewable energy and electrification technologies. Energy efficiency contribution is important: the rate of energy intensity improvement would increase to 3.2% per year, up from recent historical averages of around 2.0% per year. Biofuels consumption will play an important role in sectors that are hard to electrify such as transports (transport liquid biofuels will grow from 100 to 650 billion litres per year). Moreover, circular economy practices can drive aggressive and readily realisable reductions in energy demand and emissions. Coal demand will decrease from 14% to 4%. Many Hera activities are in line with this scenario: - promotion of energy efficiency, through development of commercial offers to customers and reduction of internal energy consumption, with particular attention to water services, public lighting and district heating; - two Group companies operate in the energy efficiency sector providing a broad range of services for apartment buildings, large industrial customers and the public administration; - biomethane production from waste (one plant already in operation and two plants planned in the next years); - district heating; - developing of industrial strategies based on sustainability, allowing it to become an international point of reference in terms of circular economy. Moreover, company is not involved in coal sector.</p>
Other, please specify	<p>In 2020, we continued the process started in 2016 to analyse the "Global Agenda" and its needs for change, which represent the "calls to action" for our Company. Understanding and sharing this scenario is essential to constantly further improve the way we report our sustainability- and climate-related results achieved. At the same time, it gives also an opportunity to steer strategy and operational processes in order to address change and to meet the needs and expectations of both market and society, thus enhancing competitiveness. The process started by analysing European, national and local policies and ended by identifying Hera's Drivers of Change and Impact Areas, while keeping in mind its spheres of competence. Almost a hundred global, European, national and local policies were analysed to define priorities for change towards sustainability and climate change. The commitments and quantitative targets of these policies which are of key significance to Hera's activity were analysed. In 2020, three years after its creation, the Creating Shared Value framework has been reviewed and updated given new challenges of the global scenario. The analysis of global megatrends and the internal listening process - conducted through individual interviews and focus groups - were the main new aspects. UN Sustainable Development Goals and policy analysis were also considered, including the EU Taxonomy for Sustainable Finance that is currently being developed. Based on a dozen of international studies, it was possible to identify 9 global megatrends of potential relevance to Hera Group. 3 of these were considered more closely linked to the business and having a direct impact on Company activities and therefore were given priority in updating the framework: fragile planet, technological disruption, and accelerated urbanisation. 2 other trends were highlighted, as they closely affect communities and local areas in which Hera operates and lead to indirect impacts on the Company in social terms: knowledge-based society and growing inequalities. The internal listening process made it possible to receive many important suggestions for updating the framework, which in many cases proved to be perfectly in line with the new aspects drawn from the policy analysis. Seven top management representatives were interviewed, Directors/Chief Executive Officers of the most significant Departments/Companies for the creation of shared value. An interview was also conducted with the external member of the Group's Ethics and Sustainability Committee. In addition, a dedicated focus group was set up, involving workers from various Company's organisational areas. At the end of this process, a proposal was outlined for updating the drivers and priorities for change and the respective impact areas of interest to Hera, which was approved and validated by top management. The new framework is made up of three drivers: • Energy - Pursuing carbon neutrality, • Environment - Regenerating resources and closing the loop, • Local area (and Business) - Enabling resilience and innovating. The 3 drivers of change and the relevant 9 impact areas are linked to the 11 2030 UN Agenda SDGs to which the Group contributes, seven of which are identified as priorities, and which include the 52 "What we will do..." (objectives for the future) detailed in our Sustainability Report. The priority SDGs for Hera Group are goals that are more directly related to its business activities and on which the Group has a direct impact. Goal 17 is one of the priority SDGs, since partnerships are essential to achieve the important sustainability goals set. The detail of the priority SDGs follows: goal 6, clean water and sanitation services; goal 7, clean and accessible energy; goal 9, companies, innovation and infrastructure; goal 11, sustainable cities and communities; goal 12, accountable consumption and production; goal 13, combating climate change and goal 17, partnerships for the goals.</p>

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	<p>With the definition and approval of the new Business Plan to 2024, Hera further enriches its strategy by following new European guidelines while maintaining consistency with the UN 2030 Agenda, which constantly guides Hera's commitment to sustainable development and in particular to the creation of shared value (CSV). The reference framework of the new Business Plan is made up of 3 strategic dimensions: environmental, socio-economic, and innovation. During 2020, Hera's CSV model was reviewed and updated with respect to new challenges in the global scenario. One of the 3 drivers for creating shared value is "pursuing carbon neutrality" both in managing services and for the benefit of customers and the reference territorial ecosystem. Therefore, in the environmental dimension of the CSV model all actions planned to fight climate change play a crucial role, many of which correspond to initiatives and management methods identified through the scenario analysis and the consequent risks and opportunities analysis carried out in 2020. Such initiatives include further development of commercial propositions aimed at energy efficiency and carbon neutrality for both domestic and business customers. For example, the Industrial Plan includes energy efficiency measures for companies (37MW managed by 2024, +11 MW v. 2019), condominiums (1.190 condos served by 2024, +530 v. 2020) and Public Administration (7,300 plants managed by 2024, +3,700 v. 2019). Moreover, Hera is also developing offers to e.g. install domestic PVs and replace obsolete heating systems with more efficient and low-impact equipment (18k units by 2024). Other 2020 results and future targets in this field are: - 20.2% of contracts with energy efficiency solutions (2024 target: 42%; 2030 target: >45%); - 32.2% renewable electricity sold (2024 target: 33%; 2030 target: >40%); - 4.4% gas sold with offsetting (2024 target: 17%; 2030 target: >20%); - 7.8 million cubic meters of biomethane produced (2024 target :>15 million m3; 2030 target: >30 million m3). The commitment to align the commercial offer to stakeholders' decarbonisation needs is also reflected in the installation of charging stations for urban electric mobility, developed both with private organizations and local municipalities. Through these activities, the Group positions itself as an enabler of the transition towards sustainable development.</p>
Supply chain and/or value chain	Yes	<p>Hera's Creating Shared Value (CSV) model is guided by 3 drivers, one of which is "pursuing carbon neutrality" along value chain i.e. both in managing services and for the benefit of customers and the local area ecosystem. All actions and activities planned to fight climate change play a crucial role, many of which correspond to the initiatives and management methods identified through the scenario and the risks and opportunities analysis carried out in 2020. Such activities include e.g. renewable energy supply, renewable energy production and sales, CHP and district heating development, energy-saving measures, energy efficiency certificates, waste sorting and recycling, use of recycled paper for printing bills. Total ghg avoided as a result of Hera's activities in 2020 amounted to 2.5 mln tonnes, i.e. 597 kg per citizen served. In addition, Hera offsets emissions from natural gas sold to customers with green offers and from printing of reports and balance sheets. Hera's commitment to sustainability, energy efficiency and circular economy also affects its supply chain. Suppliers often contribute to energy efficiency activities carried out by Hera by providing products with better energy performance, representing an opportunity both for Hera and for suppliers. In addition, given the high impact of waste management activities, Hera rewards the best-performing suppliers by favoring those using low-impact vehicles (68% of suppliers' vehicles are Euro 5/6). Furthermore, Hera Group has started a project aimed at managing the transition of its purchase models to reflect circularity principles. In the first stage of the project, based on application of the "Resolve" model proposed by the MacArthur Foundation, all purchasings were analysed to define current level of maturity of "circularity" in selecting suppliers along with future potential. In the second stage of the project, common guidelines for the whole Group on "circular purchases" were defined and the reporting of circularity was extended also to tenders awarded with the lowest price bid method. Circularity-related criteria were provided for over 90% of new tenders using the most economically advantageous bid method, and it is estimated that the value of the awards with circularity aspects stands at 12.5% of the value of the tenders assigned in 2020 (about €83 mln; it was 5.7% in 2019, about €32 mln).</p>
Investment in R&D	Yes	<p>With the definition and approval of the new Business Plan to 2024, Hera Group has enriched its strategy by following new European guidelines while maintaining consistency with the UN 2030 Agenda, which has guided Hera's commitment to sustainable development for years and in particular to the creation of shared value (CSV). The reference framework of the new Business Plan is made up of 3 strategic dimensions: environmental, socio-economic, and innovation. During 2020, Hera's CSV model was reviewed and updated with respect to new challenges in the global scenario. One of the 3 drivers for creating shared value is "pursuing carbon neutrality" both in managing services and for the benefit of customers and the reference territorial ecosystem. Therefore, in the environmental dimension of the CSV model all actions planned to fight climate change play a crucial role, many of which correspond to initiatives and management methods identified through the scenario analysis and the consequent risks and opportunities analysis carried out in 2020. The majority of the management methods and initiatives identified from our scenario and risk and opportunities analysis require investments in R&D. In fact, the 12% (370 mln €) of the Group cumulate capex 2020-2024 regards R&D investments to develop circular economy and carbon neutrality projects and activities. For example: realisation of energy efficiency solutions for condominiums, buildings and public administration; production of biomethane, development of district heating, production of recycled plastics, and wastewater purification.</p>
Operations	Evaluation in progress	<p>Hera's Creating Shared Value (CSV) model is guided by 3 drivers, one of which is "pursuing carbon neutrality" through its operations both in managing services and for the benefit of customers and the local area ecosystem. All actions and activities planned to fight climate change play a crucial role, many of which correspond to the opportunity initiatives and the risk management methods identified through the scenario and the risks and opportunities analysis carried out in 2020. Many risk factors have been identified thanks to scenario and risks analysis, which may influence the regular energy and water supply due to damages to network, water shortage, or possible contamination of water reserves, thus leading to service interruption or significant damages both of an environmental and economic and social nature. To tackle such risks, Hera makes relevant investments designed to guarantee effectiveness and efficiency of distribution systems. It also carries out constant monitoring and maintenance of networks to guarantee safety, quality and that services are constantly supplied even in case of temporary interruptions on one or several distribution lines. Furthermore, growing attention to physical safety of plants reduces the likelihood of damage to them and people engaged. For example, the risk of more frequent or more intense extreme heat waves in summer can cause an increase in water resources consumption, overheat electricity networks due to a reduced night / day temperature differential, and increase risk of fires. The consequences mainly concern business discontinuity as well as having potential direct repercussions on human health. Hera is managing this risk strengthening and adapting its electricity/water distribution network. In fact, 30% (970 mln €) of cumulate 2020-2024 capex regards increasing resilience. For example: 556 mln € are going to be invested in the resilience of water networks, and 60 mln € are going to be invested in the resilience of electricity distribution network.</p>

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Indirect costs Capital expenditures Access to capital Assets	<p>As described in 2.3a and 2.4a, there are several risks and opportunities that could affect Hera's revenues. For example, thanks to our scenario analysis, we started to consider as an opportunity the production of renewable energy from new technologies. In 2020, we started the authorization process for two projects designed to increase the biomethane production at Hera Group's plants. The projects concern the revamping of two existing plants: the first one will partially convert an anaerobic digestion and composting plant in the municipality of Ravenna from electricity production to the combined production of electricity and biomethane; the second will add an upgrading section to the liquid waste anaerobic digestion plant in Modena. Moreover, by 2023 we will build a new anaerobic biodigester of mowing, pruning and organic waste in the Pesaro-Urbino province. It will be designed to treat approximately 105,000 tonnes per year of mowing, pruning and organic waste, from which it will be possible to generate 6 million cubic metres of biomethane and 28,000 tonnes of high-quality compost per year. This is a strategic operation that is even more important since this type of plant is not self-sufficient in the Marche region. As stated in Hera business plan 2020-2024 (short-term time horizon), the production of biomethane from these plants will result in 7.6 mln €/year of EBITDA. Several risks (both physical and cronical) could affect Hera's operating costs. For example, in our 2020 TCFD report, we identified the risk of volatility and/or general increase in the costs of raw materials, in particular if derived directly or indirectly from fossil fuels (eg price volatility of polymers and its link with the pricing of recycled polymer); the risk of additional costs linked to GHG emissions of companies at a regulated market level (ETS market or carbon tax) and the risk of "displacement" of productions with a high incidence of GHG cost (eg thermoelectric) compared to non-GHG generations.. We consider this risk in a medium-term horizon and we're managing it through the efficiency of the industrial process to reduce GHG requirements and the orientation towards low GHG impact energy production. In 2020-2024 business plan (short-term horizon), there are 370 mln € of CapEx allocated for circular economy and carbon neutrality projects and activities. For example, 52 mln € are going to be spent for the production of biomethane from FORSU (please see Opp2 in 2.4a question) and 78 mln € are related to the installation of energy efficiencies products (heat pumps, photovoltaic, thermal insulations, solar, etc.) and the realisation of energy efficiency solutions in buildings (please see Opp3 in 2.4a question). As regards access to capital, in our 2020 TCFD report, we identified the following short-term horizon opportunity "Greater access to capital for alignment with respect to the reference benchmarks". In fact, the financial markets have long been showing a growing interest in the use of capital that is aligned with international agreements for the mitigation and adaptation to climate change and, more generally, to sustainable development paths. This process is leading to new decision-making criteria for investors, who favour assets that prove to create long-term value and, increasingly, consider environmental and social sustainability as a factor in reducing investment risk. To respond to this opportunity we should adopt the EU Taxonomy standards for sustainable activities; align with European climate benchmarks and define new decarbonisation targets. Hera Group has been the first to launch the new "Green Bond" financial instrument in Italy in 2014, and paved the way for other operators in the utility sector (and others). Five years after issuing the first Green Bond in Italy, Hera launched its second one. This financial instrument was presented through a roadshow in the main European markets, to illustrate to investors and analysts the possibility and the need to allocate resources to environmental sustainability projects in fields such as environment, water, energy. The Group's second Green Bond (issued on July 5, 2019) amounts to € 500 million. The transaction has seen a significant participation of international investors (France, Germany, United Kingdom, Netherlands), who are largely focused on environmental and social performance of companies. The funds raised will be used to finance or re-finance several projects (some of which already launched or planned in the 2022 Business Plan) pursuing one or more UN 2030 Agenda objectives: • energy efficiency (SDGs #7 and #13): installation of smart meters, development of district heating networks, public lighting projects; • circular economy and sustainable waste management (SDG #12): innovative projects in waste collection systems, extension of the "pay-as-you-throw" tariff, construction of facilities and structures for the recycling, recovery and reuse of materials similar to those for biomethane production; • water infrastructures (SDGs #6 and #14): projects to improve the resilience and adaptation of wastewater management, sewage and water infrastructure to climate change. Furthermore, in May 2018, a new credit line for € 200 million has been signed, entitled "ESG Linked RCF Facility", which introduces elements of sustainability through an incentive mechanism linked to the achievement of specific environmental, social and governance objectives. In the commitment undertaken with the banks, several sustainability performance indicators have been defined by virtue of which the multiutility company can benefit over time from more favourable rates. The spheres of these identified indicators coincide with two main CSV drivers: "smart use of energy" and "efficient use of resources". More specifically, they act on the following areas of CSV impact: promotion of energy efficiency, reduction of greenhouse gas emissions, and transition towards the circular economy. As a result from the scenario and risks and opportunities analysis we conducted, Hera Group's infrastructures and grids may suffer physical risks deriving from climate change. These risks are accounted for in terms of damage to plants and grids and disruption of the continuity of the services provided. This would be due to natural events such as droughts, strong snowfalls, extremely hot or cold temperatures, etc. An example, from our 2020 TCFD report, is a medium-term risk of an increase in the frequency of episodes of extreme temperature range, particularly in the close passage from intense frosts to abnormally warm temperatures in the winter period. The potential effects on the business may include an increase in breaks in external pipes containing fluids, malfunctioning of the plants, damage to the distribution network of the water resource.</p>

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2019

Covered emissions in base year (metric tons CO2e)

1131035

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

28

Covered emissions in target year (metric tons CO2e) [auto-calculated]

814345.2

Covered emissions in reporting year (metric tons CO2e)

1030620

% of target achieved [auto-calculated]

31.7076836702666

Target status in reporting year

New

Is this a science-based target?

Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition

Well-below 2°C aligned

Please explain (including target coverage)

Target will be achieved mainly with the increase in separate waste collection, the reduction in the use of landfills for urban waste, the further development of district heating, the use of renewable electricity for internal consumption, and a greater use of low-impact vehicles.

Target reference number

Abs 2

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (market-based)

Base year

2019

Covered emissions in base year (metric tons CO2e)

48425

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

100

Target year

2030

Targeted reduction from base year (%)

100

Covered emissions in target year (metric tons CO2e) [auto-calculated]

0

Covered emissions in reporting year (metric tons CO2e)

44409

% of target achieved [auto-calculated]

8.2932369643779

Target status in reporting year

New

Is this a science-based target?

Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

To reduce the emissions indirectly caused by consumption of electricity, the Hera Group has committed to only use certified renewable energy supply to carry out the business of Hera.

Target reference number

Abs 3

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based) +3 (upstream & downstream)

Base year

2019

Covered emissions in base year (metric tons CO2e)

11781249

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

86.5

Target year

2030

Targeted reduction from base year (%)

36.7

Covered emissions in target year (metric tons CO2e) [auto-calculated]

7457530.617

Covered emissions in reporting year (metric tons CO2e)

11141300

% of target achieved [auto-calculated]

14.8008945845352

Target status in reporting year

New

Is this a science-based target?

Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition

Well-below 2°C aligned

Please explain (including target coverage)

Target will be achieved mainly with the promotion of energy efficiency in residential customers, the increase in the sale of renewable electricity, and the launch of initiatives to develop hydrogen as an energy vector. Further improvements are expected from exogenous aspects made explicit in the centralized energy scenario developed by Italian institutions taken as a reference for the definition of the targets e.g. the decarbonisation of electricity production, the increase in energy efficiency, and the electrification of energy consumption. Such aspects they will contribute to the achievement of the target relating to indirect greenhouse gas emissions.

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

Intensity metric

Metric tons CO2e per megawatt hour (MWh)

Base year

2019

Intensity figure in base year (metric tons CO2e per unit of activity)

0.365

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

81.5

Target year

2030

Targeted reduction from base year (%)

50

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

0.1825

% change anticipated in absolute Scope 1+2 emissions

% change anticipated in absolute Scope 3 emissions

48.5

Intensity figure in reporting year (metric tons CO2e per unit of activity)

0.342

% of target achieved [auto-calculated]

12.6027397260274

Target status in reporting year

New

Is this a science-based target?

Yes, and this target has been approved by the Science Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

Target will be achieved mainly with the promotion of energy efficiency in residential customers, the increase in the sale of renewable electricity, and the launch of initiatives to develop hydrogen as an energy vector. Megawatt-hours of sold electricity is expected to grow 3% by 2030 from a 2019 base year. The projection is based on data provided in the Centralised (CEN) Energy Scenario developed by Terna (Italian national electricity transmission company) and Snam (main Italian operator for the transport of natural gas) and presented in their "Documento di Descrizione degli Scenari 2019" (2019 Scenario Description Document). The CEN scenario envisages sustainable economic growth, phase-out of coal-fired power plants by 2025, strong growth of utility-scale renewables, spread of biomethane and other green gases, and use of Carbon Capture & Utilization Storage (CCUS) technologies. The projected 3% growth assumed by Hera Group is based on 2030 projections of the CEN scenario considering both a significant electrification trend and very strong energy efficiency measures.

Target reference number

Int 2

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 2 (market-based)

Intensity metric

Other, please specify (kg CO2e per MWh)

Base year

2019

Intensity figure in base year (metric tons CO2e per unit of activity)

82.9

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2025

Targeted reduction from base year (%)

100

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

0

% change anticipated in absolute Scope 1+2 emissions

4

% change anticipated in absolute Scope 3 emissions**Intensity figure in reporting year (metric tons CO2e per unit of activity)**

79.1

% of target achieved [auto-calculated]

4.58383594692402

Target status in reporting year

New

Is this a science-based target?

Yes, and this target has been approved by the Science Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

To reduce the emissions indirectly caused by their own consumption of electricity, the Hera Group has committed to only use GOs - certified renewable energy supply to carry out the business of Hera. We have defined an intensity measure as follows: Scope 2 emissions from energy supply out of total electricity supplied (kg CO2 per MWh). Our Scope 2 science-based target is "100% of certified renewable electricity to cover internal energy consumption by 2023", which means we aim to reach zero Scope 2 emissions from energy supply by buying renewable energy only. The target adopted is fully in line with the level of decarbonization required to keep global temperature increase 1.5 degrees Celsius compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC AR5). 2019 baseline figure was 82.9 kg CO2e per MWh. 2020 figure has improved to 79.1 kg / MWh (-4.6% reduction).

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Heat

Target type: activity

Consumption

Target type: energy source

Low-carbon energy source(s)

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

<Not Applicable>

Base year

2019

Figure or percentage in base year

0.8

Target year

2030

Figure or percentage in target year

20

Figure or percentage in reporting year

4.4

% of target achieved [auto-calculated]

18.75

Target status in reporting year

Underway

Is this target part of an emissions target?

Natural gas sold with CO2e emissions offset, not included in C4.1a

Is this target part of an overarching initiative?

No, it's not part of an overarching initiative

Please explain (including target coverage)

We have launched the "Hera Impronta Zero" (Hera Zero Impact) offer in 2019. The "Hera impronta zero" gas offer dedicated to families and small businesses supplies "green" and sustainable energy only. In particular, the emissions resulting from customers' consumption of natural gas are offset by purchasing certified carbon credits that finance projects with environmental and social benefits. In 2020, our carbon credit purchases contributed to the following projects, which are certified under the highest international standards for carbon reduction: • A 1,000 MW run-of-the-river hydroelectric power plant in the state of Himachal Pradesh in India, which generated about 3 TWh/year of energy, with an estimated emission avoidance benefit of about three million tonnes of CO2e/year. Support for this project has also created jobs for the local community, built a school, an industrial training institute and a 40-bed hospital, besides providing essential infrastructure for travel among surrounding villages. • A 50.6 MW wind farm in the village of Balabanli in Turkey supplied about 150 GWh/year of renewable energy to the national grid, with an estimated reduction of about 90,000 tonnes of CO2e/year. It also contributed to the creation of new jobs for the local community, with a corresponding decrease in poverty and unemployment. The share of natural gas sold with CO2 emissions offsets increased from 0.8% in 2019 to 4.4% in 2020. Total emissions offset thanks to the Hera Impronta Zero offer are 257.6 t CO2e

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	0	0
To be implemented*	67	2727
Implementation commenced*	0	0
Implemented*	62	3161
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in production processes	Process optimization
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Estimated annual CO2e savings (metric tonnes CO2e)

1950

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

500000

Investment required (unit currency – as specified in C0.4)

4000000

Payback period

4-10 years

Estimated lifetime of the initiative

21-30 years

Comment

Energy requalification interventions of the water service, through the installation of minor environmental impact equipment (e.g. inverters on pumping systems)

Initiative category & Initiative type

Energy efficiency in production processes	Process optimization
---	----------------------

Estimated annual CO2e savings (metric tonnes CO2e)

712

Scope(s)

Scope 1

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

200000

Investment required (unit currency – as specified in C0.4)

1000000

Payback period

4-10 years

Estimated lifetime of the initiative

21-30 years

Comment

Energy requalification interventions on district heating systems

Initiative category & Initiative type

Energy efficiency in production processes	Other, please specify (Public lighting)
---	---

Estimated annual CO2e savings (metric tonnes CO2e)

499

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

160000

Investment required (unit currency – as specified in C0.4)

1000000

Payback period

4-10 years

Estimated lifetime of the initiative

21-30 years

Comment

Energy requalification interventions for public lighting, through the installation of minor environmental impact lamps

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	9 companies of the Hera Group are ISO 50001 certified for energy management systems since 2014. To obtain this certification, companies must prepare and implement energy improvement plans.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Hera promotes sorted collection of urban waste among citizens to extract energy from organic waste in biomass and biogas plants. This activity avoids GHG emissions from landfills (Scope1). In 2002, Hera started to promote sorted collection of urban waste from citizens and has currently reached a recycling rate of 65.3% of waste produced by citizens. Sorted waste collected (paper, glass, metals, plastic) is sent to re-cycling industries, therefore avoiding both raw material extraction, production activities, and further waste to be sent to landfill. Part of sorted waste is the organic biomass that Hera treats in dedicated plants (bio-digesters) that can generate both electricity from biogas - avoiding emissions produced by power generators – and biomethane. 39% of waste is treated in Waste-to-Energy plants (WTE) that burn waste to produce electricity, therefore avoiding emissions produced by fossil fuel extraction and combustion processes at power generators. Landfill emissions were estimated considering the methane from biogas which is given off by the landfill matter and the carbon dioxide from the combustion of tapped biogas.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Low-Carbon Investment (LCI) Registry Taxonomy

% revenue from low carbon product(s) in the reporting year

20

% of total portfolio value

<Not Applicable>

Asset classes/ product types

<Not Applicable>

Comment

Hera has been achieving European targets regarding recycling several years before the expected deadlines, especially as regards packaging recycling, for which the area served by Hera is at the same level of best performing European countries.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2019

Base year end

December 31 2019

Base year emissions (metric tons CO2e)

1082609

Comment

Base year has been changed to 2019 (previously: 2015) because we have recently set science-based emission reduction targets which consider a 2019 baseline. We consider the 2019 baseline to be more representative of our pledges.

Scope 2 (location-based)

Base year start

January 1 2019

Base year end

December 31 2019

Base year emissions (metric tons CO2e)

184514

Comment

Base year has been changed to 2019 (previously: 2015) because we have recently set science-based emission reduction targets which consider a 2019 baseline. We consider the 2019 baseline to be more representative of our pledges.

Scope 2 (market-based)

Base year start

January 1 2019

Base year end

December 31 2019

Base year emissions (metric tons CO2e)

48425

Comment

Base year has been changed to 2019 (previously: 2015) because we have recently set science-based emission reduction targets which consider a 2019 baseline. We consider the 2019 baseline to be more representative of our pledges.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

European Union Emission Trading System (EU ETS): The Monitoring and Reporting Regulation (MMR) – General guidance for installations

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

Other, please specify (Company's own methodology)

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

Company's own methodology to estimate emissions from landfills, waste-to-energy plants and leakages from gas distribution network.

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

986211

Start date

January 1 2020

End date

December 31 2020

Comment

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)

1082609

Start date

January 1 2019

End date

December 31 2019

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

Hera operates in Italy, where the electricity market provides several contractual instruments available on a voluntary basis. This is the fourth year that Hera has been reporting a market-based Scope 2 emission figure, which has been estimated by use of the residual mix emission factor published for Italy by the Association of Issuing Bodies (AIB). In 2020, Hera has procured a share of its electricity consumption from certified renewable sources. Since 2017, Hera is committed to consuming certified renewable electricity for all their activities, reaching 100% by 2023.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

166102

Scope 2, market-based (if applicable)

44409

Start date

January 1 2020

End date

December 31 2020

Comment

Past year 1

Scope 2, location-based

184514

Scope 2, market-based (if applicable)

48425

Start date

January 1 2019

End date

December 31 2019

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source

Air conditioning plants

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

No emissions excluded

Relevance of market-based Scope 2 emissions from this source (if applicable)

No emissions excluded

Explain why this source is excluded

Scope 1 emissions from A/C plants in Company's buildings and facilities are not considered to be relevant as they are estimated to be less than 0.1% of total Scope 1 emissions.

Source

Trigeneration plant of Trieste

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

No emissions excluded

Relevance of market-based Scope 2 emissions from this source (if applicable)

No emissions excluded

Explain why this source is excluded

Scope 1 emissions do not include the Trieste trigeneration plant, whose emissions can be estimated to be 3.5% of total Scope 1 emissions.

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Not relevant, calculated

Metric tonnes CO₂e

169

Emissions calculation methodology

Source of impact: Press of bills Source of the data: Weight of printed sheets Conversion factor: 739.4 kg CO₂ e/ t (Defra database - Material use - Paper: Closed loop source)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

The emissions referring to this category are not relevant compared to our total Scope 3 emissions. At the moment, we estimate emissions deriving from bill printing process. Main activities outsourced by Hera Group within the sphere of waste management services concern the cleaning of street waste bins and the management of the separate waste collection centres. With regard to the grid services, the company mainly resorts to outside suppliers for the activities concerning highly specialised maintenance, plant engineering activities, and meter services (readings, closures, initialisations, etc.). Furthermore, facility management (global service), commercial and contact individuals call centre activities are outsourced. All these purchases have a low impact on our scope 3 emissions. However, we will look in more depth at the impacts on our supply chain in the near future.

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions referring to capital goods are not relevant compared to our total Scope 3 emissions. In fact, in 2020 Hera did not undertake any capital project of a magnitude that we believe would generate relevant emissions. However, we will look in more depth at the impacts on our supply chain in the near future.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

4996684

Emissions calculation methodology

Source of impact: (i) Upstream production activities of the methane gas sold (ii) Upstream production activities of the non-renewable electric energy sold (iii) Upstream production activities of the methane gas consumed in cogeneration plants (iv) Upstream production activities of fuels consumed in Company's vehicles (diesel, petrol, methane gas, lpg) (v) Losses in the upstream electricity grid for the electric energy consumed (vi) Upstream production activities of the non-renewable electricity consumed, Source of the data: (i) Gas sold to customers (ii) Electricity sold to customers (iii) Energy produced in cogeneration plants (iv) Fuels consumed by vehicles (v) Electricity consumed (vi) Electricity consumed Conversion factor: (i) 0.263 kg CO2e/ mc (Defra database - WTT Fuel natural gas) (ii) 444 kg CO2e / MWh (National inventory report 2020 - Gross thermoelectric production 2018) (iii) 0.026 kg CO2 e/ kWh (Defra DB - WTT Fuel natural gas) (iv) 0.610 kg CO2 e/ l (Defra DB - WTT Fuels Diesel: average biofuel blend); 0.593 CO2 e/ l (Defra DB - WTT Fuels Diesel: average biofuel blend); 311 kg CO2 e/ t (Defra DB - WTT Fuels Natural gas); 0.190 CO2 e/ l (Defra DB - WTT Fuels LPG) (v) 0.024 kg CO2 e/ kWh (Defra DB - Transmission and distribution + Defra DB - WTT UK overseas electricity) (vi) 0.054 kg CO2 e/ kWh (Defra DB - WTT UK overseas electricity (generation), data for Italy)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Through its subsidiaries, Hera actively operates in the energy efficiency sector to provide a broad range of services. The Company mainly targets apartment buildings, large industrial customers, and public administration. In particular, in the industrial cogeneration sector, Hera offers multi-year energy supply contracts through development and management of electricity and thermal energy production plants dedicated to meeting all energy needs of top customers. Also, emissions deriving from electricity sold to customers, electricity grid losses related to consumptions, and fuels consumed by fleet are taken into account, as well as volume of fuels used in cogeneration plants owned by external partners but actually managed by the Hera Group.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions referring to upstream transportation and distribution are not relevant compared to our total Scope 3 emissions. However, we will look in more depth at the impacts on our supply chain in the near future. Furthermore, many upstream transportation activities take place in leased vehicles – please, refer to “Upstream leased assets” figure for such emission disclosure.

Waste generated in operations

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Being Hera Group an environmental solutions provider, emissions generated from these services are already considered in Scope 1 and Scope 2 emissions thus reported in the related sections.

Business travel

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions of the Group's vehicles are already considered into Scope 1 emissions. Other emissions referring to this category are not relevant compared to our total Scope 3 emissions. However, we will look in more depth at this category in the near future.

Employee commuting

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions referring to employee commuting are not relevant compared to our total Scope 3 emissions. However, we will look in more depth at the impacts of this category in the near future. Nevertheless, Hera has developed several initiatives to reduce the environmental impact from Group's employee commuting. These include e.g. the continuation of the shuttle bus service in Bologna and Imola that connects Central Train Station with our offices. During 2020, an important novelty has also been introduced: the possibility of taking advantage of an additional welfare share for sustainable mobility has been made available to all the people of the Group e.g. to cover part of the cost of the subscription to public transport. To raise awareness on sustainable transportation, Hera organised a challenge among the Group's sites during the European Sustainable Mobility Week, inviting people to use non-polluting vehicles or carpooling. Also, activities have been organised in collaboration with the "Salvaiciclisti association" (Save the cyclists) aimed at increasing the use of bicycles as a means of transport. The new offices in Viale Berti Pichat in Bologna have been equipped with 5 electrically assisted bicycles, thus continuing our commitment to facilitate the adoption of sustainable means of transport.

Upstream leased assets

Evaluation status

Not relevant, calculated

Metric tonnes CO₂e

75489

Emissions calculation methodology

Source of impact: (i) use of vehicles by suppliers for waste collection; (ii) use of vehicles by Herambiente for waste collection Methodology: (i) Data are estimated based on information transmitted by suppliers. Km per delivery vehicles of external suppliers are estimated considering the total number of vehicles in suppliers' fleet. The total number of vehicles has been communicated by suppliers. (ii) Data are estimated based on km per delivery vehicles used by Herambiente (our subsidiary) multiplied for the following emission factor: 0.942 kg CO₂e/km (Defra DB - Frighting goods: HGV, all diesel, rigid>17ton, 50%laden)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

50

Please explain

These emissions relate to upstream waste transportation between urban waste bins and treatment plants.

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO₂e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

For Hera, emissions referring to Downstream transportation and distribution are not relevant because we do not sell products. Since in our business these emissions relate to transportation and losses from power and gas distribution, the main emissions associated with the transportation and distribution of our products are included in Fuel- and energy-related activities (not included in scope 1 or 2) category.

Processing of sold products

Evaluation status

Not relevant, calculated

Metric tonnes CO2e

341213

Emissions calculation methodology

Source of impact: (i) Downstream use of glass initiated for recovery (ii) Downstream use of plastic initiated for recovery (iii) Downstream use of paper initiated for recovery
Source of the data: (i) Glass initiated for recovery (ii) Plastic initiated for recovery (iii) Paper initiated for recovery Conversion factor: (i) 529 kg CO₂ / t (Defra DB - Material use - Glass: Closed loop source) (ii) 3,125.3 kg CO₂ e/ t (Defra DB - Material use – PET: Closed loop source) (iii) 739.4 kg CO₂ e/ t (Defra DB - Material use - Paper: Closed loop source).

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

The area served by the Hera Group has a very well-structured waste collection system that makes it possible to separately collect many different types of municipal waste. Once collected and recovered, materials are used as "secondary raw material". Emissions are related to the use of recycled material (paper, plastic, glass) after separate waste collection managed by Hera occur.

Use of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

5914966

Emissions calculation methodology

Source of impact: Customers' use of gas Source of the data: Gas sold Conversion factor: 2.023 kg CO₂ e/mc (Defra DB - Fuels Natural gas)

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Data refer to emissions related to natural gas consumption by our customers.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions referring to this category are not relevant because the company only sell small volumes of products that require end-of-life treatment (gas, electricity and services supplied). Hera mostly delivers services rather than products.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

These emissions are not relevant for Hera as we do not provide leased assets.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

These emissions are not relevant for Hera as we do not have franchises.

Investments

Evaluation status

Not relevant, calculated

Metric tonnes CO2e

284494

Emissions calculation methodology

Emissions are estimated from the production of electricity in three plants (operated as joint ventures) from our partners.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

This category includes Hera's emissions deriving from three power generation plants operated as joint ventures.

Other (upstream)

Evaluation status

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

We do not have other relevant upstream emissions.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

We do not have other relevant downstream emissions.

C6.7

(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.00013656

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

1030620

Metric denominator

unit total revenue

Metric denominator: Unit total

7546900000

Scope 2 figure used

Market-based

% change from previous year

10.1

Direction of change

Decreased

Reason for change

The improvement is due to a 8.9% decrease in Scope 1+2 emissions (numerator) and to a 1.4% increase in total revenues (denominator) in 2020 compared to 2019.

Intensity figure

917.7

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

1030620

Metric denominator

Other, please specify (EBITDA (millions of euro))

Metric denominator: Unit total

1123

Scope 2 figure used

Market-based

% change from previous year

12

Direction of change

Decreased

Reason for change

The improvement is due to a 8.9% decrease in Scope 1+2 emissions (numerator) and to a 3.5% increase in EBITDA (denominator) in 2020 compared to 2019.

Intensity figure

112.1

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

1030620

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

9191

Scope 2 figure used

Market-based

% change from previous year

9.1

Direction of change

Decreased

Reason for change

The improvement is due to a 8.9% decrease in Scope 1+2 emissions (numerator) in 2020 compared to 2019.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	510232	IPCC Fourth Assessment Report (AR4 - 100 year)
CH4	374363	IPCC Fourth Assessment Report (AR4 - 100 year)
N2O	101615	IPCC Fourth Assessment Report (AR4 - 100 year)

C-EU7.1b

(C-EU7.1b) Break down your total gross global Scope 1 emissions from electric utilities value chain activities by greenhouse gas type.

	Gross Scope 1 CO2 emissions (metric tons CO2)	Gross Scope 1 methane emissions (metric tons CH4)	Gross Scope 1 SF6 emissions (metric tons SF6)	Total gross Scope 1 emissions (metric tons CO2e)	Comment
Fugitives					
Combustion (Electric utilities)					
Combustion (Gas utilities)					
Combustion (Other)					
Emissions not elsewhere classified					

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Italy	954320
Bulgaria	31891

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By business division

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Energy	189893
Waste	580248
Gas	186358
Vehicles	29712

C-CE7.4/C-CH7.4/C-CO7.4/C-EU7.4/C-MM7.4/C-OG7.4/C-ST7.4/C-TO7.4/C-TS7.4

(C-CE7.4/C-CH7.4/C-CO7.4/C-EU7.4/C-MM7.4/C-OG7.4/C-ST7.4/C-TO7.4/C-TS7.4) Break down your organization's total gross global Scope 1 emissions by sector production activity in metric tons CO2e.

	Gross Scope 1 emissions, metric tons CO2e	Net Scope 1 emissions , metric tons CO2e	Comment
Cement production activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Chemicals production activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Coal production activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Electric utility activities		<Not Applicable>	
Metals and mining production activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Oil and gas production activities (upstream)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Oil and gas production activities (midstream)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Oil and gas production activities (downstream)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Steel production activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Transport OEM activities	<Not Applicable>	<Not Applicable>	<Not Applicable>
Transport services activities	<Not Applicable>	<Not Applicable>	<Not Applicable>

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
Italy	166052	44331	560987	465835
Bulgaria	50	78	168	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Public lighting	35018	9363
Water service	90932	24311
Waste	33725	9017
Holding	6427	1718

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	17870	Decreased	1.6	Electricity purchases from renewable sources decreased by 17,870 MWh in 2020 compared to 2019, but electricity purchased itself decreased by 22,749 in 2020 compared to 2019, due to the Covid emergency. Emission value (%) calculation: change in emissions (17,870 t CO2e)/ total scope1+scope2 in 2019 (1,131,035 t CO2e)
Other emissions reduction activities	766	Decreased	0.06	Major use of low environmental impact fuels in vehicles (-2.1%, corresponding to a decrease of 621 t CO2e). Emission value (%) calculation: change in emissions (766 t CO2e)/ total scope1+scope2 in 2019 (1,131,035 t CO2e)
Divestment	32775	Decreased	2.9	The decrease in waste-to-energy emissions (Scope 1) is mainly due to the closure of the Ravenna plant. Emission value (%) calculation: change in emissions (32,775 t CO2e)/ total scope1+scope2 in 2019 (1,131,035 t CO2e)
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output		<Not Applicable >		
Change in methodology		<Not Applicable >		
Change in boundary		<Not Applicable >		
Change in physical operating conditions	52187	Decreased	4.6	Direct emissions (Scope 1) and indirect emissions from electricity consumption (Scope 2) decreased by around 9% compared to 2019. This is mainly due to lower emissions from district heating (-14.7%) and from fuels used in Hera's plants and offices (-10.8%) as a result of milder winter temperatures and lower thermal energy requirements due to the health emergency; without this effect, Scope 1 and 2 emissions would decrease by 4%. Emission value (%) calculation: change in emissions (52,187 t CO2e)/ total scope1+scope2 in 2019 (1,131,035 t CO2e)
Unidentified		<Not Applicable >		
Other		<Not Applicable >		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	310486	1740799	2051285
Consumption of purchased or acquired electricity	<Not Applicable>	465835	95320	561155
Consumption of purchased or acquired heat	<Not Applicable>	412	0	412
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	0	0	0
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	2053	<Not Applicable>	2053
Total energy consumption	<Not Applicable>	778786	1836119	2614905

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	Yes

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

1607665

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

417993

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

1189672

Emission factor

1.984

Unit

kg CO2e per m3

Emissions factor source

Ispra - Istituto Superiore per la Protezione e la Ricerca Ambientale ("Higher Institute for Environmental Protection and Research", body of the Ministry of the Environment)

Comment

Fuels (excluding feedstocks)

Methane

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

3744

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

3744

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

2.533

Unit

kg CO2e per metric ton

Emissions factor source

Defra database - Fuels: Natural gas

Comment

Fuels (excluding feedstocks)

Biogas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

310486

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

310486

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

0

Unit

kg CO2e per kWh

Emissions factor source

CO2 emissions from biogas combustion are associated with energy recovery activities performed as part of Hera Group's waste management services. Consequently, such CO2 emissions are considered climate neutral. This is in line with Volume 5 (Waste) of IPCC Guidelines for National Greenhouse Gas Inventories (Sections 3.2.3, 5.1 and 5.4.1.2). Nevertheless, fossil CO2 and CH4 and N2O emissions associated with biofuels and biomass combustion and biogas leakage are reported under Scope 1, 2, or 3 as relevant.

Comment

Fuels (excluding feedstocks)

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

106156

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

106156

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

2.546

Unit

kg CO2e per liter

Emissions factor source

Defra database - Fuels: Diesel (average biofuel blend)

Comment

Fuels (excluding feedstocks)

Gas Oil

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

17113

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

17113

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

2.578

Unit

kg CO2e per liter

Emissions factor source

Defra database - Fuels: Gas Oil

Comment

Fuels (excluding feedstocks)

Liquefied Natural Gas (LNG)

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

2758

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

2758

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

1.555

Unit

kg CO2e per liter

Emissions factor source

Defra database - Fuels: LPG

Comment

Fuels (excluding feedstocks)

Motor Gasoline

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

3364

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

3364

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

0

Emission factor

2.168

Unit

kg CO2e per liter

Emissions factor source

Defra database - Fuels: Petrol (average biofuel blend)

Comment

C8.2d

(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	1152798	0	434552	0
Heat	975510	0	134165	0
Steam	0	0	0	0
Cooling	0	0	0	0

C-EU8.2d

(C-EU8.2d) For your electric utility activities, provide a breakdown of your total power plant capacity, generation, and related emissions during the reporting year by source.

Coal – hard

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Lignite

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Oil

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Gas

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Biomass

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Waste (non-biomass)

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Nuclear

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Fossil-fuel plants fitted with CCS

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Geothermal

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Hydropower

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Wind

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Solar

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Marine

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Other renewable

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Other non-renewable

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

Total

Nameplate capacity (MW)

Gross electricity generation (GWh)

Net electricity generation (GWh)

Absolute scope 1 emissions (metric tons CO2e)

Scope 1 emissions intensity (metric tons CO2e per GWh)

Comment

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Low-carbon energy mix

Country/area of consumption of low-carbon electricity, heat, steam or cooling

Italy

MWh consumed accounted for at a zero emission factor

465835

Comment

In 2020, 83.0% of the electricity consumption of Hera Group's main companies was covered by energy from renewable sources.

C-EU8.4

(C-EU8.4) Does your electric utility organization have a transmission and distribution business?

No

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C-EU9.5a

(C-EU9.5a) Break down, by source, your total planned CAPEX in your current CAPEX plan for power generation.

Primary power generation source	CAPEX planned for power generation from this source	Percentage of total CAPEX planned for power generation	End year of CAPEX plan	Comment
---------------------------------	---	--	------------------------	---------

C-EU9.5b

(C-EU9.5b) Break down your total planned CAPEX in your current CAPEX plan for products and services (e.g. smart grids, digitalization, etc.).

Products and services	Description of product/service	CAPEX planned for product/service	Percentage of total CAPEX planned products and services	End of year CAPEX plan
-----------------------	--------------------------------	-----------------------------------	---	------------------------

C-CE9.6/C-CG9.6/C-CH9.6/C-CN9.6/C-CO9.6/C-EU9.6/C-MM9.6/C-OG9.6/C-RE9.6/C-ST9.6/C-TO9.6/C-TS9.6

(C-CE9.6/C-CG9.6/C-CH9.6/C-CN9.6/C-CO9.6/C-EU9.6/C-MM9.6/C-OG9.6/C-RE9.6/C-ST9.6/C-TO9.6/C-TS9.6) Does your organization invest in research and development (R&D) of low-carbon products or services related to your sector activities?

	Investment in low-carbon R&D	Comment
Row 1	Please select	

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Hera CDP Letter 26 July 2021.pdf
Sustainability report 2020 - DNF.pdf

Page/ section reference

"Hera CDP Letter 26 July 2021" is the third-party verification letter signed by our independent auditor. It specifically refers to our Scope 1 emissions, published in our Sustainability Report 2020 (please find it attached).

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Hera CDP Letter 26 July 2021.pdf
Sustainability report 2020 - DNF.pdf

Page/ section reference

"Hera CDP Letter 26 July 2021" is the third-party verification letter signed by our independent auditor. It specifically refers to our Scope 2 emissions, published in our Sustainability Report 2020 (please find it attached).

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3 (upstream & downstream)

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Hera CDP Letter 26 July 2021.pdf
Sustainability report 2020 - DNF.pdf

Page/section reference

"Hera CDP Letter 26 July 2021" is the third-party verification letter signed by our independent auditor. It specifically refers to our Scope 3 emissions, published in our Sustainability Report 2020 (please find it attached).

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C6. Emissions data	Year on year change in emissions (Scope 1)	The information in the Sustainability report 2020 has been assured by a third-party independent auditor (Audirevi) following the ISAE3000 standard	Hera chose to verify Scope 1 emissions for its annual sustainability report Hera CDP Letter 26 July 2021.pdf Sustainability report 2020 - DNF.pdf
C6. Emissions data	Year on year change in emissions (Scope 2)	The information in the Sustainability report 2020 has been assured by a third-party independent auditor (Audirevi) following the ISAE3000 standard	Hera chose to verify Scope 2 emissions for its annual sustainability report Hera CDP Letter 26 July 2021.pdf Sustainability report 2020 - DNF.pdf
C6. Emissions data	Year on year change in emissions (Scope 1 and 2)	The information in the Sustainability report 2020 has been assured by a third-party independent auditor (Audirevi) following the ISAE3000 standard	Hera chose to verify Scope 1 +2 emissions for its annual sustainability report Hera CDP Letter 26 July 2021.pdf Sustainability report 2020 - DNF.pdf
C6. Emissions data	Year on year change in emissions (Scope 3)	The information in the Sustainability report 2020 has been assured by a third-party independent auditor (Audirevi) following the ISAE3000 standard	Hera chose to verify Scope 3 emissions for its annual sustainability report Hera CDP Letter 26 July 2021.pdf Sustainability report 2020 - DNF.pdf
C6. Emissions data	Year on year emissions intensity figure	The information in the Sustainability report 2020 has been assured by a third-party independent auditor (Audirevi) following the ISAE3000 standard	Hera chose to verify emission intensity figures emissions for its annual sustainability report Hera CDP Letter 26 July 2021.pdf Sustainability report 2020 - DNF.pdf

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

EU ETS

C11.1b

(C11.1b) Complete the following table for each of the emissions trading schemes you are regulated by.

EU ETS

% of Scope 1 emissions covered by the ETS

12.1

% of Scope 2 emissions covered by the ETS

0

Period start date

January 1 2020

Period end date

December 31 2020

Allowances allocated

13246

Allowances purchased

106428

Verified Scope 1 emissions in metric tons CO2e

119728

Verified Scope 2 emissions in metric tons CO2e

0

Details of ownership

Facilities we own and operate

Comment

Hera does not have direct compliance obligations for Scope 2 emissions.

C11.1d

(C11.1d) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?

The EU-ETS (European Union Emission Trading System) sets a cap on the total level of emissions allowed to all participants in the scheme, but it also allows them to trade emission quotas on the market according to their needs. The Hera Group has 9 plants that are authorised to emit greenhouse gases based on Emissions Trading regulations, all of which are related to energy production serving district heating networks. The carbon dioxide emissions recorded in 2020 (119,728 tonnes), were lower than those of 2019 (162,679 tonnes) mainly due to the effects of different weather, the temporary suspension of the application of the regulation for one plant, and the exit from the application of the system for another in the last two months of the year. To take into account the fact that district heating is a public utility service and that it meets environmental sustainability criteria, the charge associated with actual emissions imposed by the ETS system is partly mitigated by free allocation of European Union Allowances or a maximum allowed amount of emissions within which no charges are made. In 2020, this measure totalled 23,219 tonnes of CO₂ (down from 30,004 t CO₂ in 2019, consistent with the regulatory profile); in particular, the European Union Allowances free allocation in 2020 totalled 13,246t CO₂ (16,726 t CO₂ in 2019).

Furthermore, Hera's 5 years business plan (2020-2024) includes targets on CO₂ emissions, energy consumption savings, different polluting emission reduction, promotion of primary sources (water, energy) consumption reductions on our clients and environmentally friendly management of waste and technologies. CAPEX allocation and investments in renewables are always addressed (also to substitute conventional source intensive technologies) and higher efficiency gains in networks and plants (in order to save primary sources and reducing emissions) are pursued through capital expenditures every year. Further evidence of the attention of Hera top management to climate change and sustainability issues, is that the Sustainability Report is approved every year together with the annual financial report by the Board of Directors on same date and is illustrated to the annual shareholders meeting that approves the annual financial report.

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Hydro

Project identification

The "Hydroelectric Project in Kinnaur District in Himachal Pradesh" is a project for a run-of-the-river hydroelectric power plant located in India and certified under the VCS standard. The project's objective is to sustainably generate electricity in the northern region of India, avoiding the construction of a fossil fuel powered thermal power plant. The hydroelectric power plant has a peak power of 1,000 MW and can provide about 3 TWh per year of renewable energy, with an estimated emission avoidance benefit of about 3 million tonnes of CO₂e per year. Support for this project has also created jobs for the local community, built a school, an industrial training institute and a 40-bed hospital, besides providing essential infrastructure for travel among surrounding villages.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO₂e)

128813

Number of credits (metric tonnes CO₂e): Risk adjusted volume

128813

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

The "Süleoğlu Wind Power Plant", involves the construction of a wind power plant in Turkey, to achieve environmental, social and economic benefits at the same time. It is certified under the Gold standard, involves the construction of a wind power plant in Turkey, to achieve environmental, social and economic benefits at the same time. The plant has an installed capacity of 50.6 MW and can generate about 150 GWh of clean energy per year, avoiding about 90,000 tonnes of carbon dioxide per year. It also contributed to the creation of new jobs for the local community, with a corresponding decrease in poverty and unemployment.

Verified to which standard

VER+ (TÜV SÜD standard)

Number of credits (metric tonnes CO₂e)

128813

Number of credits (metric tonnes CO₂e): Risk adjusted volume

128813

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

Navigate GHG regulations

GHG Scope

Scope 1

Application

Cogeneration plants

Actual price(s) used (Currency /metric ton)

25

Variance of price(s) used

+/- 1 euro/metric ton

Type of internal carbon price

Implicit price

Impact & implication

Hera is subject to EU ETS (9 plants) and applies a price on carbon to future projections (costs and capex plans), where we apply a price of carbon which does not include the cost of "externalities" caused by the emissions.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Engagement & incentivization (changing supplier behavior)

Details of engagement

Climate change performance is featured in supplier awards scheme

% of suppliers by number

92

% total procurement spend (direct and indirect)

95

% of supplier-related Scope 3 emissions as reported in C6.5

1

Rationale for the coverage of your engagement

Hera suppliers are engaged through tenders. The Hera Group's Guidelines on Procurement favour the quality/sustainability and price bid method as the approach for assessing bids, using sustainability criteria (including energy efficiency, circular economy and climate change) consistent with the principles of the Code of Ethics.

Engagement of suppliers specifically involves those selected with criteria different from price; in these cases, sustainability criteria are included in the selection process.

Impact of engagement, including measures of success

In specific areas identified in the Hera Group's Guidelines on Procurement (i.e. "respect for the environment", "social commitment", "quality of services" and "economic value"), sustainability criteria have been identified on the basis of the experience acquired in managing calls for tenders awarded adopting the combined assessment of quality/sustainability and price bid method, of the regulations on the matter, and in line with Group objectives. A minimum number of sustainability criteria to consider in choosing suppliers were established for each area, based on the amount and importance of the tender (e.g. tenders with significant impact on environment, climate change, occupational safety, quality of services provided to customers, term or amount of the contract). Among the main criteria, mention is made of: management of atmospheric emissions; prevention, reuse and recyclability of waste; energy efficiency; reduction of the hazardous nature of substances used; reduction of water consumption. In 2020, 95% of the value of the adjudications awarded using the quality/sustainability and price bid was carried out using environmental criteria. The average score assigned to sustainability criteria was 40.6 points out of 100 (14.0 pertaining to environmental aspects and 26.6 to social aspects).

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to education customers about your climate change performance and strategy

% of customers by number

20

% of customer - related Scope 3 emissions as reported in C6.5

87

Portfolio coverage (total or outstanding)

<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement

We engage our customers in the definition of new innovative commercial energy offers. Results show how energy efficiency, cost savings, renewable energy supply and climate change mitigation solutions are appreciated by both household and industrial customers. Consequently, we designed commercial proposals based on energy efficiency (such as: Diario dei consumi - Consumption analysis report, Hera Led, Hera ContaWatt, and Hera Thermo), and renewable energy (such as: Pacchetto Natura and Hera Impronta Zero).

Impact of engagement, including measures of success

In 2020, Hera's customers with Energy Efficiency Services accounted for 20.2% of total energy customers. The figure includes customers activating the Consumption analysis report, Hera LED, Hera ContaWatt, and Hera Thermo. We confirm our commitment to environmental sustainability and energy efficiency with value-added services that provide consumption monitoring and reduction suggestions for household and business customers: the Consumption analysis report is a free service that Hera provides to its customers to help them comparing their energy consumption with similar households in size, in the same province and that use a similar amount of energy (for domestic customers). The report also compares consumption over the same period of the previous year and provides personalized advice on how to optimize energy use. All data are also accessible on the "Consumption Analysis" web platform, accessible from Online Services and in the dedicated section of the My Hera mobile app. Quantification of the savings achieved will be available in 2021, once the first period of experimentation is completed. Furthermore, Hera encourages its customers in choosing commercial offers that guarantee supply of electricity from renewable sources and offset natural gas through the purchase of carbon credits that support CO2 reduction projects. In 2020, 28.0% of electricity customers had contracts that provides renewable electricity, and 9.6% of gas customers chose to offset emissions from their gas consumption. Overall, energy contracts with "green" offers reached 16.6% in 2020. The success of this initiative is measured by the percentage of customers that use the tool to reduce their electricity and gas consumption; such percentage grew from 14.6% in 2018 to 20.2% in 2020 and is expected to reach 42% in 2024.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

Trade associations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Energy efficiency	Support	Hera engages directly with the Italian Government and with the regulatory bodies on every aspect of the sector development towards overall higher efficiency	Hera directly engages with the Italian Government on every aspect of the sector development towards overall higher efficiency, and with other regulatory bodies in determining higher incentives for energy efficiency, for example for the incentives related to Biomethane gas directly fed into either the national distribution network or into gas refilling stations for vehicles. On sector overall efficiency, solutions and strategies proposed (introduction of incentives for public entities owning small inefficient companies to aggregated in order to enhance economies of scale) to the Government committee on sector consolidation (to overcome high market fragmentation affecting efficiency performance of the industry) and in regards to energy efficiency, Hera has contributed to the change in evaluation criteria to set the White certificates tariff (energy efficiency certificates tariff), recognized to those who promote energy efficiency internally and externally among stakeholders.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Utilitalia

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Utilitalia promotes separate waste collection to reduce landfill use in urban waste disposal and agrees upon the principle "who pollutes, pays" in regard to waste. As a consequence, Utilitalia is going to support the measurement of waste of each single citizen and to promote a tariff scheme that charges the citizen only for the actual waste produced (today, citizens are charged for a standard cost calculate upon his house dimension).

How have you influenced, or are you attempting to influence their position?

Hera collaborates in all the activities of Utilitalia. Furthermore, the Group is running an ongoing pilot project to implement technical devices to measure the waste of each citizen. Pilot project outcome will provide data on feasibility, cost, investment and management issues to support Utilitalia and the regulator.

Trade association

Confindustria

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Hera has developed agreements with trade associations in the territories it serves, collaborating with companies in the field of energy efficiency.

How have you influenced, or are you attempting to influence their position?

Hera has been committed in developing the agreements.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Relations are mainly managed indirectly through trade associations. Furthermore, relations with the main stakeholders are located in Hera organization in staff to either the Executive Chairman or the CEO pursuing a concentration of these activities directly in the hands of executive Board of Directors members to assure consistency of activities with climate change strategy of the Group. Investor Relations, Shared Value and Sustainability Department, Relations with Authorities and Public affairs are the functions in charge of sharing and discussing Hera's position on environmental and climate change issues with all relevant stakeholders. Hera's discussions with the main public bodies and associations are often carried out by the BoD Executive Chairman and/or the CEO themselves.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

Sustainability report 2020 - DNF.pdf

Consolidated Financial Statements 2020.pdf

Hera for climate (updated on April 22, 2021 after targets validation by SBTi).pdf

Page/Section reference

Sustainability Report 2020 (page 32-38; 39-82; 252-261; 405-408) Consolidated Financial Statements 2020 (page 25-26; 32-34; 39-40; 45-47; 78) (climate change related information's are highlighted with special tags: please see page 4) Hera for climate (updated on April 22, 2021 after targets validation by SBTi) (whole document)

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Other metrics

Other, please specify (Analysis of climate scenarios)

Comment

During 2020, the Hera Group made progress in its alignment with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). 2020 sustainability report and economic report are fully aligned with TCFD Recommendations.

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Chief Executive Officer	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms