

press release

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Hera Group: over 1 billion Euro for green transition, decarbonisation and plastic regeneration through sustainability-linked bond issue and facility agreement

Strong interest of international investors for the second sustainability-linked bond of the multiutility, for an amount equal to Euro 600 million and a maturity of 10 years, which received subscription requests for about Euro 2.7 billion, 4.5 times higher than the amount offered. The company also entered into a Euro 450 million sustainable revolving credit facility with the same group of banks that placed the bond and with the same key performance indicators.

Two new achievements for the Hera Group, which is already a pioneer in this field in Italy: with the second “sustainability-linked bond” and the activation of a new “Sustainability-Linked Revolving Credit Facility”, the multiutility will allocate more than 1 billion Euro in financing to projects in favour of the green transition.

In particular, the Euro 600 million of the new non-convertible bond is part of the sustainability strategy aimed at decarbonising and recycling plastics, while the new Euro 450 million “Sustainability-Linked Revolving Credit Facility” further expands the innovative financial products and instruments adopted by the company, contributing to maintain its financial soundness.

“Our second “sustainability-linked bond” and the new credit line confirm the Hera Group's commitment to sustainability, with particular reference to the goals of carbon neutrality and circular economy”- states **Orazio Iacono, CEO of the Hera Group**. “These new sustainability-linked instruments will allow us to more actively pursue two specific targets that are particularly relevant to us, which we have been committed to for some time now with projects aimed at reducing our carbon footprint and increase plastic regeneration, in line with the energy and environmental transition strategies outlined in our business plan. This is an important contribution, which will lead us to reach the goals of the 2030 Agenda with concrete initiatives, to meet the challenges we face every day”.

The characteristics of the second “sustainability-linked bond”

The aggregate amount of the second “sustainability-linked bond”, reserved to qualified investors, to be issued under the company's Euro Medium-Term Notes Programme – last updated on 12 April 2023 – is equal to Euro 600 million, repayable after 10 years.

Also this second “sustainability-linked bond”, like the one launched in 2021, met a great interest from international investors.

In fact, the transaction saw significant participation from international investors (France, Germany, the Netherlands and the United Kingdom), most of them specialised in sustainable finance products. The strong demand, with subscription requests of approximately 2.7 billion euro, equal to 4.5 times the offer, and the quality of the orders received have therefore allowed the price to be set at excellent levels.

The bond provides for an annual fixed-rate coupon of 4.250%, while the yield at the time of issue is 4.310%. Starting from the interest payment date of 2032, a possible step-up (interest rate increase) is foreseen in case the company does not reach the targets of (1) reduction of Green House Gas emissions expressed in CO₂ tonnes (rate increase of 0.30%) and (2) increase in the amount of recycled plastic, expressed in thousands of tonnes (rate increase of 0.20%).

The sustainability-linked bond is part of the Hera Group's strategy aimed at reducing greenhouse gas emissions and increasing the amount of recycled plastic. In particular, the Hera Group intends to reduce greenhouse gas emissions by 37% by 2030 (compared to 2019), thanks to concrete internal actions and to the involvement of suppliers and customers, in relation to the sale of electricity and gas: one of the most ambitious goals for a company in Italy, validated by the highly respected international network Science Based Target initiative (SBTi).

With respect to the second target, instead, the multiutility intends to increase the quantities of recycled plastic by 150% by 2030 (compared to 2017), also thanks to the approximately Euro 1.2 billion of investments planned in the environment sector in the 2022-2026 Business Plan. In particular, the subsidiary Aliplast, leader in plastics recycling, envisages new industrial development projects with investments of more than Euro 80 million, both to expand plant capacity in the segments already covered (recycled PET) and to extend its operations to the recovery of hard plastics with a new plant. Located in Modena, and at the forefront on a European level from a technological point of view, so much so that it has also received contributions from PNRR (the Italian "National Recovery and Resilience Plan"), the plant will allow to make more sustainable even the sectors that until now have mainly used virgin materials such as consumer electronics.

The settlement date of the issue is expected for 20 April 2023 and the notes will be listed, as of the issue date, on the regulated market of Euronext Dublin, on the regulated market of the Luxembourg Stock Exchange and, if appropriate, at a later stage, also on the ExtraMOT PRO multilateral trading system of Borsa Italiana. It is also expected that the sustainability-linked bond will be assigned a rating in line with the one assigned to Hera (rating Baa2 for Moody's and BBB+ for Standard & Poor's).

The new "Sustainability-Linked Revolving Credit Facility"

The new credit facility, in line with the one issued in 2018, includes a reward mechanism linked to the achievement of specific environmental objectives. In the agreement entered into with the banks, in fact, the same key performance indicators of the "sustainability-linked bond" have been defined, by virtue of which the multiutility will be able to benefit of more favourable rates over time.

Hera's partners in the transaction

The financial institutions involved in the issue of the "sustainability-linked bond" of Hera are BNP Paribas, Crédit Agricole CIB, Intesa Sanpaolo (Divisione IMI CIB), Mediobanca, Santander, UniCredit, BBVA, Banca Akros, Barclays, BPER Banca, CaixaBank, Deutsche Bank and MPS Capital Services. The financial institutions involved in Hera's sustainability-linked facility agreement are BNP Paribas, Banca Nazionale del Lavoro, Crédit Agricole CIB, Intesa Sanpaolo, Mediobanca, Santander, UniCredit, BBVA, Banco BPM, Barclays, BPER Banca, CaixaBank, Deutsche Bank and MPS Capital Services. Legance Avvocati Associati provided Hera with assistance in relation to both the "sustainability-linked bond" and the facility agreement, while the law firms Linklaters and Gianni & Orioni supported, respectively, the joint lead managers of the issuance and the banks of the credit facility.



The Hera Group as pioneer in sustainable finance

Hera, first company in Italy to issue a green bond in 2014, followed by two more "green" bonds in 2019 and 2022, and by the launch, in 2018, of the first sustainability-linked revolving credit facility, was also among the first Italian companies to issue a sustainability-linked bond, two years ago. The multiutility keeps to be a reference point for sustainable finance at national level and to integrate its financial strategies with a constant focus on sustainability. In fact, it is thanks to the use of innovative financial instruments that are attracting increasing attention on the market, that Hera supports its commitment to sustainable development.