

# Second-Party Opinion

## Hera Group's Sustainability-Linked Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that Hera Group's Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. This assessment is based on the following:

- Selection of Key Performance Indicators:** Hera Group's Sustainability-Linked Financing Framework includes two KPIs: i) absolute GHG emissions; and ii) quantity of recycled plastics (see Table 1). Sustainalytics considers KPI 1 as very strong and KPI 2 as strong based on both KPIs having a clear and consistent methodology, offering a direct measure of performance, with an externally recognized definition, and having a large scope of applicability. KPI 1 also lends itself well to be benchmarked against external contextual benchmarks.
- Calibration of Sustainability Performance Targets:** Sustainalytics considers the SPTs to be aligned with Hera's sustainability strategy. Sustainalytics considers the SPTs as ambitious as SPT 1.a and SPT 1.b are aligned with historical performance and a science-based decarbonization pathway, while SPTs 2.a and 2.b are significantly above historical performance.
- Bond Characteristics** Hera will link the financial characteristics of the bond or loan to the achievement of the SPTs in the form of a coupon rate step-up or a margin adjustment. Failure to achieve at least one of the SPTs will trigger a coupon step-up or margin adjustment.
- Reporting** Hera commits to report on its progress on the KPIs on an annual basis in its non-financial report, which will be available on its website. The reporting commitments are aligned with the SLBP and SLLP.
- Verification** Hera commits to have external limited assurance conducted on its KPI progress at the communicated SPT observation date, which is aligned with market expectations.

<b>Evaluation Date</b>	December 19, 2023
<b>Issuer Location</b>	Bologna, Italy

The SPTs contribute to the following SDGs:



### Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
KPI 1: Absolute GHG emissions (tCO <sub>2</sub> e)	2019	Very Strong	SPT 1.a: Reduce defined absolute scope 1, 2 and 3 emissions by 22.5% by 2026 from a 2019 baseline	Ambitious
			SPT 1.b: Reduce defined absolute scope 1, 2 and 3 emissions by 36.7% by 2030 from a 2019 baseline	Ambitious
KPI 2: Quantity of recycled plastics per year (kilotonnes)	2017	Strong	SPT 2.a: Increase the quantity of recycled plastics per year by 101%, equivalent to 120.0 kilotonnes per year, by 2026 from a 2017 baseline	Ambitious
			SPT 2.b: Increase the quantity of recycled plastics per year by 150%, equivalent to 148.9 kilotonnes per year, by 2030 from a 2017 baseline	Ambitious

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## Scope of Work and Limitations

Hera has engaged Sustainalytics to review Hera Group's Sustainability-Linked Financing Framework dated December 2023 (the "Framework") and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2023 (SLBP)<sup>1</sup> and Sustainability-Linked Loan Principles 2023 (SLLP).<sup>2</sup>

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>3</sup> opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Hera's management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Hera Group's representatives have confirmed that:

- (1) They understand it is the sole responsibility of the issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with the Hera Group's Sustainability-Linked Financing Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hera. Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Hera Group's Sustainability-Linked Financing Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.<sup>4</sup> The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Hera has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs:

- (1) A material change to the external benchmarks<sup>5</sup> against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) that has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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<sup>1</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

<sup>2</sup> The Sustainability-Linked Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

<sup>4</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under the Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>5</sup> Benchmarks refer to science-based benchmarks.

## Introduction

Hera Group ("Hera" or the "Group") is an Italy-based multi-utility company that manages several public services, including energy services, waste management, water distribution and wastewater, district heating and public lighting to more than 4.2 million people in Italy. The Group also controls Aliplast, a subsidiary plastic recycling company with operations across Europe. For the year ended December 2022, Hera had a revenue of EUR 20.1 billion<sup>6</sup> and more than 9,400 employees.<sup>7</sup>

Hera intends to issue sustainability-linked bonds or obtain sustainability-linked loans where the coupon rate of the bond or margin rate of the loan is tied to the achievement of the SPTs for two KPIs: absolute GHG emissions and quantity of recycled plastics.

Hera has engaged Sustainalytics to review Hera Group's Sustainability Finance Framework and provide an opinion on the alignment of the Framework with the SLBP and SLLP.

Hera has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
KPI 1: Absolute GHG emissions (tCO <sub>2</sub> e)	<p>The KPI is defined as scope 1, 2 and 3 emissions measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).</p> <ul style="list-style-type: none"> <li>Scope 1 and 2 emissions are from the Group's owned and controlled assets required for its operations, including the supply and consumption of electricity.</li> <li>Scope 3 emissions relate to the sale of electricity to and use of natural gas by Hera's customers.</li> </ul> <p>The KPI covers 78.9% of Hera's total GHG emissions as of 2022.<sup>8</sup></p>
KPI 2: Quantity of recycled plastics per year (ktonnes)	<p>The KPI is a measure of the annual quantity of recycled plastic waste in kilotonnes. The recycling process transforms collected plastic waste to finished products, mainly polyethylene films (PE films), polyethylene terephthalate plate (PET plate) and granules of the leading polymers.</p> <p>The KPI covers all of Aliplast's recycled plastics.</p>

**Table 2: SPTs and Past Performance**

KPI 1	2019 (baseline)	2020	2021	2022	SPT 2026	SPT 2030
Absolute GHG emissions	11,781.2	11,141.0	10,572.5	10,406.6	9,130.4	7,457.5

  

KPI 2	2017 (baseline)	2020	2021	2022	SPT 2026	SPT 2030
Quantity of recycled plastics per year	59.6	68.8	80.9	79.2	120.0	148.9

<sup>6</sup> Hera Group, "Consolidated Financial Statement", (2022), at: <https://eng.gruppohera.it/documents/1514726/0/Financial+report+as+at+31+December+2022.pdf/83a5424f-e5d9-651b-8316-a8e715d58df8?t=1680691679258>

<sup>7</sup> Hera Group, "Who we are", at: [https://eng.gruppohera.it/group\\_eng/who-we-are](https://eng.gruppohera.it/group_eng/who-we-are)

<sup>8</sup> Hera Group, "2022 Sustainability Report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of Hera Group's Sustainability-Linked Financing Framework with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles

Sustainalytics is of the opinion that Hera Group's Sustainability-Linked Financing Framework aligns with the five core components of the SLBP and SLLP.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues, and ii) to what extent the KPI is applicable.

Sustainalytics considers KPI 1 to be material and relevant given the following:

- Sustainalytics' ESG Risk Rating identifies Carbon – Own Operations<sup>9</sup> as a Material ESG Issue for the Utilities industry. Additionally, the Sustainability Accounting Standards Boards (SASB) identifies GHG Emissions and Energy Management as key material sustainability topics and accounting metrics in the Electric Utilities and Power Generators industry.<sup>10</sup>
- In terms of applicability, scope 1 and 2, as well as scope 3 emissions from the sale of electricity to and use of natural gas by customers, accounted for 78.9% of Hera's 2022 GHG emissions. As such, the selected KPI covers the vast majority of Hera's emissions.

Sustainalytics considers KPI 2 to be material and relevant given the following:

- KPI 2 represents a material environmental issue of plastic pollution through unmanaged plastic waste that ends up in the environment, including oceans, where it continues to have climate impacts as it degrades. Research from the Center for International Environmental Law has shown that plastic on coastlines, riverbanks and landscapes releases GHGs at an even higher rate than plastics in landfills and incinerated plastics,<sup>11</sup> making plastics recycling critically important as it is a hazard to marine life and air quality.
- Hera has communicated to Sustainalytics that as a utility company in Italy, it has been mandated by regulations to operate a waste collection service for its customers across the country. After its acquisition of Aliplast in 2017, the Group has also started recycling plastic waste in house utilizing Aliplast's facilities. KPI 2 covers 100% of Aliplast's recycling capacity and, as such, Sustainalytics considers this to be highly applicable.

<sup>9</sup> Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

<sup>10</sup> SASB, "SASB Materiality Finder: Electric Utilities & Power Generators", at: <https://sasb.org/standards/materiality-finder/find/?industry%5B0%5D=IF-EU>

<sup>11</sup> CIEL, "Plastic & Climate: The Hidden Costs of a Plastic Planet, (2019)", at: <https://www.ciel.org/wp-content/uploads/2019/05/Plastic-and-Climate-Executive-Summary-2019.pdf>

### KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology, ii) whether it follows an externally recognized definition, iii) whether the KPI is a direct measure of the issuer's performance on a material environmental or social issue, and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.<sup>12</sup>

Sustainalytics considers Hera's definition and methodology to calculate KPI 1 to be clear and consistently applied. Scope 1 emissions are calculated using the Italian Ministry of the Environment's coefficient<sup>13</sup> for natural gas consumption in stationary plants and the Defra coefficients<sup>14</sup> for fuel consumption for industrial purposes and vehicles. For methane, Hera uses global warming potential data following the Intergovernmental Panel on Climate Change's<sup>15</sup> recommendations. Scope 2 emissions are calculated based on the market-based approach using the Association of Issuing Bodies' European Residual Mix.<sup>16</sup> Scope 3 emissions are determined in accordance with the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standards.<sup>17</sup> Hera also uses the Defra coefficients to estimate scope 3 emissions, except for emissions from the sales of electricity from non-renewable sources, for which it uses the coefficients of the Italian Ministry of the Environment. Sustainalytics further considers the KPI to be a direct measure of performance on a material environmental issue and notes that the KPI lends itself to be benchmarked against external contextual benchmarks, such as the Science-Based Target initiative's (SBTi) well-below 2°C scenario decarbonization pathway using the absolute contraction approach.

Sustainalytics considers Hera's definition and methodology to calculate KPI 2 to be clear and consistent with the Group's historical approach to measuring recycling capacity since it acquired Aliplast in 2017. The KPI is also a direct measure of performance on a material environmental issue of plastic waste and recycling, and its definition is well recognized, with many companies and governments setting their own plastics recycling targets. However, the KPI does not lend itself to be benchmarked against external contextual benchmarks because of the absence of such benchmarks in plastics recycling.

### Overall Assessment

Sustainalytics considers KPI 1 to be very strong given that: i) it speaks to material environmental issues for Hera and is highly applicable, ii) it is a direct measure of performance, iii) it follows a clear and consistent methodology with an externally recognized definition, and iv) it can be benchmarked against external decarbonization benchmarks.

Sustainalytics considers KPI 2 to be strong given that: i) it speaks to material environmental issues for Hera and is highly applicable, ii) it is a direct measure of performance, and iii) it follows a clear and consistent methodology with an externally recognized definition, but iv) it does not lend itself to be benchmarked against external contextual benchmarks.

Absolute GHG emissions	Not Aligned	Adequate	Strong	Very strong
Quantity of recycled plastics per year	Not Aligned	Adequate	Strong	Very strong

<sup>12</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

<sup>13</sup> ISPRA, "Italian Greenhouse Gas Inventory 1990-2021 National Inventory Report 2023", (2023), at: [https://www.isprambiente.gov.it/files2023/pubblicazioni/rapporti/rapporto\\_383\\_2023.pdf](https://www.isprambiente.gov.it/files2023/pubblicazioni/rapporti/rapporto_383_2023.pdf)

<sup>14</sup> UK government, "Greenhouse gas reporting: conversion factors 2023", at: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023>

<sup>15</sup> IPCC, "Reports", at: <https://www.ipcc.ch/reports/>

<sup>16</sup> AIB, "European Residual Mix", at: <https://www.aib-net.org/facts/european-residual-mix>

<sup>17</sup> Greenhouse Gas Protocol, "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", at: <https://ghgprotocol.org/corporate-value-chain-scope-3-standard>



## Calibration of Sustainability Performance Targets

### Alignment with Hera's Sustainability Strategy

Hera has set the following SPTs for its KPIs:

- SPT 1.a: Reduce defined absolute scope 1, 2 and 3 emissions by 22.5% by 2026 from a 2019 baseline
- SPT 1.b: Reduce defined absolute scope 1,2 and 3 emissions by 36.7% by 2030 from a 2019 baseline
- SPT 2.a: Increase the quantity of recycled plastics per year by 101%, equivalent to 120.0 kilotonnes per year, by 2026 from a 2017 baseline
- SPT 2.b: Increase the quantity of recycled plastics per year by 150%, equivalent to 148.9 kilotonnes per year, by 2030 from a 2017 baseline

Sustainalytics considers the SPTs to be aligned with Hera's sustainability strategy. Please refer to Section 2 for an analysis of the credibility of Hera's sustainability strategy.

Regarding SPTs 1a and 1b, Hera established GHG emissions reduction targets in 2020 as part of its Sustainability and Shared Value Strategy.<sup>18</sup> These include goals related to promoting energy efficiency, energy transition and renewable sources and climate change mitigation, as well as a long-term 2031-2050 decarbonization strategy and overall pursuit of carbon neutrality.<sup>19</sup> Hera intends to reduce its absolute scope 1 and 2 GHG emissions by 28% by 2030 against a 2019 baseline and increase the share of certified renewable electricity purchased to cover domestic consumption to 100% by 2023.<sup>20</sup> In addition, Hera commits to reducing scope 3 GHG emissions from downstream methane gas sales by 30% by 2030 from a 2019 baseline and reducing carbon intensity (tCO<sub>2</sub>e/MWh) from electricity sales by 50% during the same timeframe.<sup>21</sup> These targets have been validated by the SBTi as aligned with a well-below 2°C scenario.<sup>22</sup> Additionally, Hera's energy management systems are certified to ISO 50001,<sup>23</sup> which provides standards to identify areas of energy use, set energy performance objectives and establish action plans to improve energy efficiency across its operations.<sup>24</sup>

Regarding SPTs 2a and 2b, Hera has established plastic recycling goals as part of its Sustainability and Shared Value Strategy.<sup>25</sup> These 2030 goals include increasing the amount of plastics recycled by 150% compared to 2017 levels and increasing the packaging recycling rate to at least 80%.<sup>26</sup> The Group has a 2022-25 target to promote a circular economy and demand for recycled plastics.<sup>27</sup> Hera is a member of the Ellen MacArthur Foundation<sup>28</sup> and has adhered to its initiative on the New Plastics Economy Global Commitment. Furthermore, Hera supports the European Strategy for Plastics, which aims to use 10 million tonnes of recycled plastics for products in the EU by 2025.<sup>29</sup>

<sup>18</sup> Hera Group, "Energy and climate commitment timeline", at: [https://eng.gruppohera.it/group\\_eng/sustainability/thematic-reports/energy-solutions-for-the-climate/commitment-for-energy-and-climate/energy-and-climate-commitment-timeline](https://eng.gruppohera.it/group_eng/sustainability/thematic-reports/energy-solutions-for-the-climate/commitment-for-energy-and-climate/energy-and-climate-commitment-timeline)

<sup>19</sup> Hera Group, "2022 Sustainability Report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> SBTi, "Companies taking action", at: <https://sciencebasedtargets.org/companies-taking-action#table>

<sup>23</sup> ISO, "ISO 50001:2018 – Energy management systems", at: <https://www.iso.org/standard/69426.html>

<sup>24</sup> Hera Group, "2022 Sustainability Report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>25</sup> Hera Group, "Energy and climate commitment timeline", at: [https://eng.gruppohera.it/group\\_eng/sustainability/thematic-reports/energy-solutions-for-the-climate/commitment-for-energy-and-climate/energy-and-climate-commitment-timeline](https://eng.gruppohera.it/group_eng/sustainability/thematic-reports/energy-solutions-for-the-climate/commitment-for-energy-and-climate/energy-and-climate-commitment-timeline)

<sup>26</sup> Hera Group, "2022 Sustainability Report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>27</sup> Ibid.

<sup>28</sup> Ellen MacArthur Foundation, "Hera Group", at: <https://www.ellenmacarthurfoundation.org/global-commitment-2021/signatory-reports/csr/hera-group#key-metrics>

<sup>29</sup> European Commission, "European strategy for plastics - voluntary pledges", at: [https://single-market-economy.ec.europa.eu/news/european-strategy-plastics-voluntary-pledges-2019-03-04\\_en](https://single-market-economy.ec.europa.eu/news/european-strategy-plastics-voluntary-pledges-2019-03-04_en)



### Strategy to Achieve the SPTs

Hera intends to achieve the SPTs through the following strategies:

For SPT 1, Hera intends to increase the supply of electricity from renewable sources for the consumption of the Group's companies and increase the sale of electricity from renewable sources to its customers. The Group will offer solutions to reduce the carbon footprint of customers in all segments, including households, condominiums, businesses and public administration, and it has embarked on initiatives to develop hydrogen as an energy carrier to improve the environmental footprint of its energy offerings. Hera has also targeted a reduction of GHG emissions from landfills while exploring options to further develop the district heating system. The Group will monitor and invest in technologically innovative projects and initiatives aimed at promoting environmental sustainability and circularity in its business.

For SPT 2, Hera intends to develop multiyear commercial partnerships with medium-sized and large companies for the sale of recycled plastics and leverage existing client relationships by offering cross-selling solutions. The Group will open two new recycling plants, one in Modena focused on rigid plastics recycling and the other in Novara focused on high-quality low-density polyethylene. The Group also aims to make most of the recycling lines available 24/7 and will look for expansion opportunities beyond Italy through joint ventures or other merger and acquisition opportunities.

### Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science.<sup>30</sup>

Hera has set the baseline for SPTs 1.a and 1.b at 2019 to account for data from a series of target companies that merged into the Group at the end of 2019. The 2019 data of the merged target companies is included in the reported SPT figures for 2019.

Hera has set the baseline for SPTs 2.a and 2.b at 2017 to maintain consistency with the Group's ongoing investor communications and align with the acquisition of Aliplast, acquired in 2017 to lead the plastics recycling initiative.

Hera has communicated to Sustainalytics that the Group has set annual targets and that its targets match its industrial plans for 2026, the short term target, and 2030, the medium term target. Hera has also communicated that it updates its short-term target every year.

**SPTs 1.a and 1.b:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance and alignment with science.

Hera reduced its defined scope 1, 2 and 3 GHG emissions by 11.67% between 2019 and 2022, with an implied average annual reduction of 3.89% during this period. To achieve the SPTs, the Group will need to reduce its emissions intensity by 12.26% between 2022 and 2026, which implies an average annual reduction of 3.07% during this period, and by 28.34% between 2022 and 2030, which implies an average annual reduction of 3.54% during this period. Sustainalytics considers the SPTs to be above past performance.

Sustainalytics was not able to assess comparable targets set by peers because of differences in the scope, calculations and disclosure of the targets.

The SPTs are aligned with the SBTi's well-below 2°C scenario using an absolute contraction approach. Sustainalytics considers a minimum reduction rate of 2.5% per year following the absolute contraction approach as aligned with this scenario.

**SPTs 2.a and 2.b:** Sustainalytics was able to use the following benchmark to assess ambitiousness: past performance.

Between 2017 and 2022, Hera increased its recycling capacity by 32.89% or an average annual increase of 6.58%. To achieve the SPT in 2026, Hera needs to increase the recycling capacity by 51.52% between 2022 and 2030 or an implied average annual increase of 12.88% over the same SPT period. To achieve the 2030 SPT, Hera needs to increase the recycling capacity by 88.01% between 2022 and 2030 or an implied average annual increase of 11.00% over the same SPT period. Sustainalytics notes the higher growth rates in recycling capacity required to achieve the SPT represent a significant improvement from the 2017-22 period.

Sustainalytics notes the challenges in identifying appropriate peers for multi-utilities providers to form a reasonable peer comparison and concludes that there is insufficient data to benchmark SPT 2 against peer

<sup>30</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.



performance. Sustainalytics further notes the absence of external contextual targets aligned with ecosystem boundaries to benchmark the future progress of this SPT.

Hera may recalculate or adjust the targets in the event of changes in relevant regulations, merger and acquisition activities with material impact, significant structural changes in Hera, loss of concessions and changes in external reporting methodologies.

**Overall Assessment**

Sustainalytics considers the SPTs to align with Hera’s sustainability strategy and SPT 1.a to be ambitious given that it is aligned with past performance and the well-below 2°C scenario.

Sustainalytics considers SPT 1.b to be ambitious given that it is aligned with past performance and the well-below 2°C scenario.

Sustainalytics considers SPT 2.a to be ambitious given that it presents a material improvement compared to past performance.

Sustainalytics considers SPT 2.b to be ambitious given that it presents a material improvement compared to past performance.

SPT(s)	Ambitiousness of SPT(s)			
SPT 1.a: Reduce defined absolute scope 1, 2 and 3 emissions by 22.5% by 2026 from a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 1.b: Reduce defined absolute scope 1, 2 and 3 emissions by 36.7% by 2030 from a 2019 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.a: Increase the quantity of recycled plastics per year by 101%, equivalent to 120.0 kilotonnes per year, by 2026 from a 2017 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPT 2.b: Increase the quantity of recycled plastics per year by 150%, equivalent to 148.9 kilotonnes per year, by 2030 from a 2017 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



## Bond Characteristics

Hera has disclosed that the financial characteristics of all securities issued under the Framework will be linked to the achievement of the SPTs. Failure to achieve one or both SPTs at the target observation date will trigger a penalty provision in the form of a coupon rate step-up for bonds or a margin adjustment for the loan securities. No more than one coupon step-up or margin adjustment, as applicable, can be applied over the life of a given sustainability-linked instrument. The SPTs will be assessed independent of each other, and Hera reserves the right to use one or both SPTs for any issuance.<sup>31</sup> The specific basis point coupon rate step-up or margin adjustment will be specified in the relevant transaction documentation.



## Reporting

Hera commits to report on its progress on the KPIs on an annual basis and expects to include the relevant figures in the annual sustainability report available on Hera's public website, which is aligned with the SLBP and SLLP. Hera further commits to disclose relevant information enabling investors to monitor the level of ambition of the SPTs. The report, published around April each year, will contain all the relevant information needed to assess if any changes to the security characteristics are to be made, including but not limited to up-to-date information on the performance of the selected KPI, including baseline revisions where relevant and any relevant information enabling investors to monitor the progress of the SPT.



## Verification

Hera commits to an annual external verification of the published KPI progress figures at the SPT observation date, which is aligned with the SLBP and SLLP on verification. The verification will be performed by Nexia Audirevi for FY2023 and KPMG for FY2024 onwards on a limited assurance basis.

# Section 2: Assessment of Hera's Sustainability Strategy

## Credibility of Hera's Sustainability Strategy

Hera's 2022-26 business plan considers that the UN Sustainable Development Goals form the basis of shared value, which Hera defines as the integration of social and environmental aspects into its operations.<sup>32</sup> The plan is based on the following three pillars, which Hera considers to be the most relevant for integrating sustainability into its operations and stakeholder engagements: i) ecological transition, ii) innovation and cohesion, and iii) social development.<sup>33</sup> Under the ecological transition pillar, Hera has the following additional sub-pillars: electricity renewables, renewable gas, energy efficiency, heat and energy recovery, network and plant resilience, system resilience, recycling, spare collection, purification and sewage, and saving of water resources.

As part of its commitment to energy transition, Hera intends to reduce its absolute scope 1 and 2 GHG emissions by 28% by 2030 against a 2019 baseline, as well as increase the share of certified renewable electricity purchased to cover internal consumption to 100% by 2023.<sup>34</sup> In addition, Hera commits to reducing scope 3 GHG emissions from downstream methane gas sales by 30% by 2030 from 2019 and reducing carbon intensity (tCO<sub>2</sub>e/MWh) from electricity sales by 50% during the same timeframe.<sup>35</sup> These targets have been validated by the SBTi as aligned with a well-below 2°C scenario.<sup>36</sup> While Hera has not committed to long-term

<sup>31</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under the Framework will be tied to the achievement of SPTs corresponding to both KPIs included in the Framework.

<sup>32</sup> Hera Group, "Shared value", at: [https://eng.gruppohera.it/group\\_eng/who-we-are/hera-group-strategy/shared-value](https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/shared-value)

<sup>33</sup> Hera Group, "Strategy", at: [https://eng.gruppohera.it/group\\_eng/investor-relations/hera-strategy](https://eng.gruppohera.it/group_eng/investor-relations/hera-strategy)

<sup>34</sup> Hera Group, "2022 Sustainability report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>35</sup> Ibid.

<sup>36</sup> SBTi, "Companies taking action", at: <https://sciencebasedtargets.org/companies-taking-action#table>

targets beyond 2030, it has undertaken a climate scenario analysis to support its long-term 2031-2050 decarbonization strategy and overall pursuit of carbon neutrality.<sup>37</sup>

The Group reports its climate strategy and information through the CDP questionnaire<sup>38</sup> and adheres to the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD).<sup>39</sup> Hera commits to publicly reporting on capital expenditure investments made to achieve its targets under its energy transition strategy. In addition, Hera intends to annually report on its progress towards the energy transition targets.

Hera's governance bodies have incorporated a sustainability lens in their overall responsibility to ensure the achievement of its sustainability strategy, which includes its decarbonization targets. In this sense, the board of directors, Control and Risk Committee, Risk Committee and Ethics and Sustainability Committee are the responsible bodies for the implementation, monitoring and achievement of the decarbonization strategy and overall sustainability strategy, including the allocation of capital for climate targets, as well as risk identification and mitigation. Furthermore, the Shared Value and Sustainability Department is responsible for preparing Hera for good management of climate risks and opportunities, as well as developing new sustainability projects.

Sustainalytics considers Hera to be aligned with the Group's sustainability strategy and considers that the sustainability-linked bonds and loans will further support Hera's decarbonization pathway.

### Hera's Environmental and Social Risk Management

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are anticipated to have positive environmental impacts and that the SPTs are impactful. However, Sustainalytics is aware that such eligible projects and achieving the SPTs could also lead to negative environmental and social outcomes. Some key environmental and social risks potentially associated with the eligible projects and achievement of the SPTs could include issues related to community relations; product governance; occupational health and safety; emissions, effluents and water; and business ethics.

Sustainalytics is of the opinion that Hera is able to manage or mitigate potential risks through the implementation of the following:

- **Community relations:** Hera has in place Stakeholder Engagement Guidelines, which identify its various stakeholder groups and the specific internal functions responsible for engagement.<sup>40</sup> The Group's Investor Relations Department oversees shareholder and financial community engagement, the Corporate Services Department is in charge of suppliers' engagement, and the Strategy, Regulations and Local Authorities Department is in charge of local community and authority engagement. The Group reports on stakeholder engagement activities and partnerships with local communities through a dedicated annual thematic report<sup>41</sup> and its Annual Report.<sup>42</sup>
- **Product governance:** As part of its overall risk management system, Hera has adopted a risk management policy, which includes a process to identify, assess and mitigate the environmental and social impacts of Hera's activities and its vulnerabilities to external risks.<sup>43</sup> Environmental and social risks are assessed by risk specialists at the corporate level and by risk owners at the business unit level. The adequacy and effectiveness of the risk assessment are subject to verification by an internal audit.<sup>44</sup> Furthermore, Hera has an integrated management system certified by ISO 9001<sup>45</sup> to ensure the quality of the services it provides.<sup>46</sup>
- **Occupational health and safety:** Hera's health and safety risks assessments are carried out in accordance with the requirements of the Italian Legislative Decree No. 81/2008 Consolidated Law on Occupational Safety and specifically articles 17 (non-delegable obligations of the employer), 18 (employers' and managers' obligations), 28 (risk assessment

<sup>37</sup> Hera Group, "2022 Sustainability report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>38</sup> CDP, "CDP scores explained", at: <https://www.cdp.net/en/scores/cdp-scores-explained>

<sup>39</sup> Ibid.

<sup>40</sup> Hera Group, "Stakeholder engagement guidelines", at: <https://eng.gruppohera.it/documents/1514726/4185888/Stakeholder+engagement+Guidelines.pdf/10e76f3c-f9ba-8084-7390-aebd05b53248?t=1626185060455>

<sup>41</sup> Hera Group, "Building the future together", at: [https://eng.gruppohera.it/group\\_eng/sustainability/thematic-reports/building-the-future-together](https://eng.gruppohera.it/group_eng/sustainability/thematic-reports/building-the-future-together)

<sup>42</sup> Hera Group, "2022 Sustainability report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>43</sup> Hera Group, "Risk profile and management", at: [https://eng.gruppohera.it/group\\_eng/investor-relations/strategy/risk-profile-and-management](https://eng.gruppohera.it/group_eng/investor-relations/strategy/risk-profile-and-management)

<sup>44</sup> Hera Group, "2022 Sustainability report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>45</sup> ISO, "ISO 9001:2015 – Quality management systems", at: <https://www.iso.org/standard/62085.html>

<sup>46</sup> Hera Group, "Quality, Safety and Environment", at: [https://eng.gruppohera.it/group\\_eng/who-we-are/hera-group-strategy/quality-safety-and-environment](https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment)

purpose) and 29 (procedures for carrying out risk assessment).<sup>47</sup> Hera has introduced safety culture training programmes that promote risk awareness and adopt prevention and protection measures to strengthen its culture of health and safety. The Group is also certified to ISO 45001<sup>48</sup> to reduce workplace risk and enhance the safety standards within its operations.<sup>49</sup>

- Emissions, effluents and water:** The Group has in place an environmental management system certified to ISO 14001 to minimize the negative effects of Hera's operations on air, water and land.<sup>50</sup> Its waste management system covers five services: i) local collections, ii) streetside containers, iii) door-to-door collections, iv) home collections, and v) sorted waste collection centres, and serves 188 municipalities in five regions for a total population of 3.2 million.<sup>51</sup> The Group regularly monitors, screens and audits its third-party hazardous waste treatment facilities and encourages those facilities to adopt circular economy principles. Hera also monitors the discharge of treated wastewater by conducting toxicity tests on its two largest purification plants. To address air pollution, the Group equips its waste-to-energy plants with flue gas purification systems and emissions control systems. The Group has also installed an air quality monitoring system for the plants and regularly analyzes surrounding air and soil samples to understand the impact of its operations on nearby areas.<sup>52</sup>
- Business ethics:** The Group has a Code of Ethics, which serves as a guide to executing all of Hera's activities.<sup>53</sup> This code is monitored by Hera's Ethics and Sustainability Committee, which examines the Group's procedures on social and environmental issues and the sustainability report to be submitted to the board of directors. In addition, the Group has a separate Code of Ethics, which guides its suppliers' activities, from working conditions to social and environmental policies.<sup>54</sup> Furthermore, its management system for corruption prevention is certified by ISO 37001.<sup>55</sup>

In addition to the above, Sustainalytics notes that it has not found evidence of major environmental or social controversies related to Hera. Overall, Sustainalytics considers that Hera has strong management programmes and policies to mitigate risks that could affect the achievement of the SPTs.

## Section 3: Impact of the SPTs

### Impact of plastics recycling

Global plastic production yields more than 400 million tonnes of plastic every year worldwide, half of which is destined for single-use purposes.<sup>56</sup> Global demand for plastics production has grown from 1.5 million tonnes in 1950 to 359 million tonnes in 2018 and is projected to double in the next two decades, leading to a corresponding rise in plastics' significance in the fossil fuels economy worldwide.<sup>57,58</sup> Furthermore, an estimated 79% of plastic waste ever produced still exists in landfills or natural environments, such as lakes and oceans.<sup>59</sup> The long lifespans for plastics pose the greatest threat to oceans and landscapes through unmanaged plastic waste, the lifespan of which can range from 20 years for plastic bags, 200 years for plastic straws to

<sup>47</sup> Hera Group, "Policy for Quality and Sustainability", at: [https://eng.gruppohera.it/group\\_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability](https://eng.gruppohera.it/group_eng/who-we-are/hera-group-strategy/quality-safety-and-environment/policy-for-quality-and-sustainability)

<sup>48</sup> ISO, "ISO 45001 and related standards – Occupational health and safety", at: <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

<sup>49</sup> Hera Group, "2022 Sustainability report", at: <https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2022+-+NFS.pdf/c6e8bee1-d288-4a9d-0828-61ead6f0e496?t=1686909200235>

<sup>50</sup> ISO, "ISO 14001 Key benefits", at: <https://www.iso.org/files/live/sites/isoorg/files/store/en/PUB100372.pdf>

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> Hera Group, "Code of Ethics", at: [https://eng.gruppohera.it/documents/1514726/0/Code+of+Ethics\\_6th+Edition.pdf/67f18534-4829-2018-42bb-1217b68a645e?t=1686210862546](https://eng.gruppohera.it/documents/1514726/0/Code+of+Ethics_6th+Edition.pdf/67f18534-4829-2018-42bb-1217b68a645e?t=1686210862546)

<sup>54</sup> Hera Group, "Relations With suppliers", at: <https://eng.gruppohera.it/documents/1514726/4185711/Code+of+Ethics+relations+with+suppliers.pdf/fa97c798-4cb4-c1f3-d28a-4899355adadd?t=1594968170715>

<sup>55</sup> ISO, "ISO 37001 – Anti-bribery management systems", at: <https://www.iso.org/iso-37001-anti-bribery-management.html>

<sup>56</sup> United Nations, "Solutions to plastic pollution", at: [https://www.un.org/en/observances/environment-day?gclid=CjwKCAjw52mBhB5EiwA05YKo5nUk0TD6E-D5r2jJoushRTAKa\\_rI\\_vGH088NlQA1cVNAYm1LNzHOhoCqq0QAvD\\_BwE](https://www.un.org/en/observances/environment-day?gclid=CjwKCAjw52mBhB5EiwA05YKo5nUk0TD6E-D5r2jJoushRTAKa_rI_vGH088NlQA1cVNAYm1LNzHOhoCqq0QAvD_BwE)

<sup>57</sup> European Parliament, "Plastic waste and recycling in the EU: facts and figures", (2023), at: <https://www.europarl.europa.eu/news/en/headlines/society/20181212STO21610/plastic-waste-and-recycling-in-the-eu-facts-and-figures>

<sup>58</sup> Government of Norway, "Norwegian Plastics Strategy", at: <https://www.regjeringen.no/contentassets/ccb7238072134e74a23c9eb3d2f4908a/en/pdf/norwegian-plastics-strategy.pdf>

<sup>59</sup> Ibid.

450 years for plastic water bottles.<sup>60</sup> Transitioning to a circular economy by 2040 can reduce the volume of plastics that enter oceans by 80%, reduce GHG emissions by 25% and save governments USD 70 billion.<sup>61</sup>

In Europe, there is credible action being taken towards boosting plastics recycling, and a report from the European Parliament states that nearly one-third, 32.5%, of plastic waste in Europe is recycled, while 24.9% is sent to landfills and 42.6% is used for energy recovery.<sup>62</sup> Many European countries have set national recycling targets, while at a regional level, the goal is to reuse, recycle and recover 100% of all plastics packaging in the EU, Norway and Switzerland by 2040.<sup>63</sup> Italy’s 2021-26 National Recovery and Resilience Plan consists of six missions, including the “green revolution and ecological transition”, under which Italy commits to recover 65% of plastic materials by 2035.<sup>64</sup> Furthermore, Italy is part of the Plastics Economy Global Commitment,<sup>65</sup> which focuses on enhancing plastic life cycle management.<sup>66</sup>

Sustainalytics notes the importance of Hera’s targets in plastics recycling and believes any capital allocations towards this objective will contribute towards meeting these national and regional plastics recycling goals.

**Importance of energy consumption in the energy transition**

In the last 10 years, Italy’s energy production and consumption has contributed 80% to its total GHG emissions.<sup>67</sup> However, Italy has reduced its energy intensity, defined as total final consumption to gross domestic product, by 15% between 2005 and 2021.<sup>68</sup>

The EU has set a goal to become climate neutral by 2050, with intermediate targets to reduce its GHG emissions by 40% by 2030 relative to 1990 levels and increase the share of energy usage from renewable sources to at least 32% by 2030. Italy’s 2021-2050 Ecological Transition Plan integrates the Fit for 55 (FF55) goals and aims for a 55% GHG emissions reduction by 2030 and carbon neutrality by 2050 at the national level. Furthermore, Italy is part of the United Nations Framework Convention on Climate Change.<sup>69</sup> To align with the FF55 goals, Italy targets a 30% share of gross final energy consumption from renewable sources by 2030.<sup>70</sup> Additionally, its Long-Term National Strategy on Reducing Greenhouse Gas Emissions estimates that renewables should reach 85-90% of gross final energy consumption by 2050 to achieve the net zero goal.<sup>71</sup>

Based on the above, Sustainalytics is of the opinion that the Group’s efforts towards decarbonizing its customers’ energy use are expected to contribute to the local and regional transition to a low-carbon economy.

**Contribution to SDGs**

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by 2030. The sustainability-linked instruments issued under the Framework are expected to help advance the following SDGs and targets:

KPI	SDG	SDG Target
KPI 1: Absolute GHG emissions	7. Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
	9. Industry, Innovation and Infrastructure	9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial

<sup>60</sup> WWF Australia, “The Lifecycle of Plastics”, (2021), at: <https://www.wwf.org.au/news/blogs/the-lifecycle-of-plastics#gs.84w6xf>

<sup>61</sup> United Nations, “Solutions to plastic pollution”, at: [https://www.un.org/en/observances/environment-day?gclid=CjwKCAjw52mBhB5EiwA05YKo5nUk0TD6E-D5r2jJoushRTAKa\\_rl\\_vGH088NIQAlcVNAym1LNzHOhoCqq0QAvD\\_BwE](https://www.un.org/en/observances/environment-day?gclid=CjwKCAjw52mBhB5EiwA05YKo5nUk0TD6E-D5r2jJoushRTAKa_rl_vGH088NIQAlcVNAym1LNzHOhoCqq0QAvD_BwE)

<sup>62</sup> European Parliament, “Plastic waste and recycling in the EU: facts and figures”, at: <https://www.europarl.europa.eu/news/en/headlines/society/20181212STO21610/plastic-waste-and-recycling-in-the-eu-facts-and-figures>

<sup>63</sup> Plastics Europe, “Plastics 2030: PlasticsEurope’s Voluntary Commitment to increasing circularity and resource efficiency”, at: <https://plasticseurope.org/wp-content/uploads/2021/10/20180120-Voluntary-Commitment-Full-Report.pdf>

<sup>64</sup> Government of Italy, “The National Recovery and Resilience Plan (NRRP)”, (2021), at: <https://www.mef.gov.it/en/focus/The-National-Recovery-and-Resilience-Plan-NRRP/>

<sup>65</sup> Ellen MacArthur Foundation, “The Global Commitment 2022”, at: <https://www.ellenmacarthurfoundation.org/global-commitment-2022/overview>

<sup>66</sup> OECD, “Environment Ministers’ commitments on plastics”, (2022), at: <https://www.oecd.org/environment/ministerial/outcomes/Environment-Ministers-commitments-on-plastics.pdf>

<sup>67</sup> IEA, “Italy 2023: Energy Policy Review”, (2023), at: [https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy\\_2023\\_EnergyPolicyReview.pdf](https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy_2023_EnergyPolicyReview.pdf)

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Climate Transparency, “Italy”, (2021), at: <https://www.climate-transparency.org/wp-content/uploads/2021/10/CT2021Italy.pdf>

<sup>71</sup> IEA, “Italy 2023: Energy Policy Review”, (2023), at: [https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy\\_2023\\_EnergyPolicyReview.pdf](https://iea.blob.core.windows.net/assets/71b328b3-3e5b-4c04-8a22-3ead575b3a9a/Italy_2023_EnergyPolicyReview.pdf)

		processes, with all countries taking action in accordance with their respective capabilities
KPI 2: Quantity of recycled plastics	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

## Conclusion

Hera intends to issue sustainability-linked bonds or obtain sustainability-linked loans, tying the coupon or margin rate to achievement of the following SPTs:

- (1) SPT 1.a: Reduce defined absolute scope 1, 2 and 3 emissions by 22.5% by 2026 from a 2019 baseline
- (2) SPT 1.b: Reduce defined absolute scope 1,2 and 3 emissions by 36.7% by 2030 from a 2019 baseline
- (3) SPT 2.a: Increase the quantity of recycled plastics per year by 101%, equivalent to 120.0 kilotonnes per year, by 2026 from a 2017 baseline
- (4) SPT 2.b: Increase the quantity of recycled plastics per year by 150%, equivalent to 148.9 kilotonnes per year, by 2030 from a 2017 baseline

Sustainalytics considers KPI 1 to be very strong given that: i) it speaks to material environmental issues for Hera and is highly applicable, ii) it is a direct measure of performance, iii) it follows a clear and consistent methodology with an externally recognized definition, and iv) it can be benchmarked against external decarbonization benchmarks. Sustainalytics considers KPI 2 to be strong given that: i) it speaks to material environmental issues for Hera and is highly applicable, ii) it is a direct measure of performance, and iii) it follows a clear and consistent methodology with an externally recognized definition, but iv) it does not lend itself to be benchmarked against external contextual benchmarks. Sustainalytics considers the SPTs as ambitious since SPTs 1.a and 1.b are aligned with historical performance and a science-based decarbonization pathway, while SPTs 2.a and 2.b are significantly above historical performance.

Sustainalytics considers the reporting and verification commitments to be aligned with the Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles.

Based on the above, Sustainalytics considers Hera Group’s Sustainability-Linked Financing Framework to be in alignment with the five core components of the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023 and the prospective achievement of the SPTs to be impactful.

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