

# SUSTAINABILITY-LINKED FINANCING FRAMEWORK

GRUPPO  
**HERA**

SPAZIOHERA



# SUSTAINABILITY-LINKED FINANCING FRAMEWORK

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# 1. INTRODUCTION

The Hera Group is one of the major multi-utility companies listed in Italy: it offers the sustainable management of several public services (Energy Services, Waste Management, Water Distribution and Waste Water, District Heating, Public Lighting, etc) to over 4.2 million citizens in 311 municipalities spread over five Italian regions (Emilia-Romagna, Veneto, Friuli-Venezia Giulia, Marche, Abruzzo and Tuscany). The Group also operates in other European countries through its subsidiary Aliplast with its own plastic recycling plants.

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

Hera strongly believes in sustainable development since it has always been part of its corporate strategy. In fact, the environment is not only a part of Hera's work, but also and above all a social heritage: a resource to protect and safeguard, to ensure a future for the community.

In addition to offering quality energy, water and waste management services, Hera's mission is to create "Shared Value", i.e. economic value for the company and at the same time for the community and the area served, with public priorities as guiding principles (please see the following paragraph for further details).



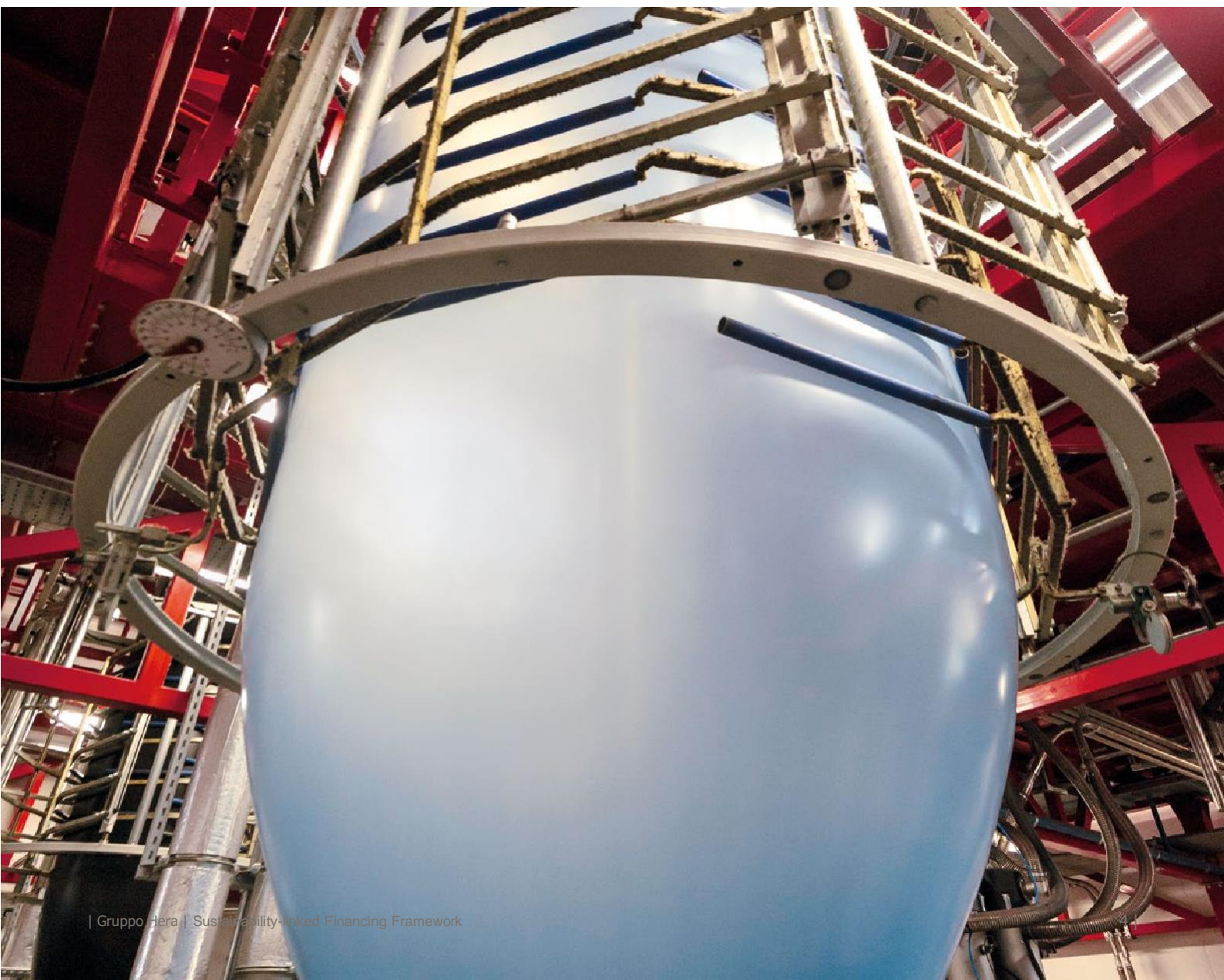
# 1.1. SUSTAINABILITY STRATEGY

The Group's mission shows a strong inclination towards sustainability, which is an indispensable part of the company's strategies: in 2026, 62% of EBITDA will be based on "shared value" (70% in 2030), i.e. involving projects and activities that respond to the goals on the UN Global Agenda 2030 with investments for shared value projects corresponding to roughly 70% of overall 2022-2026 investments (2.9mld€).

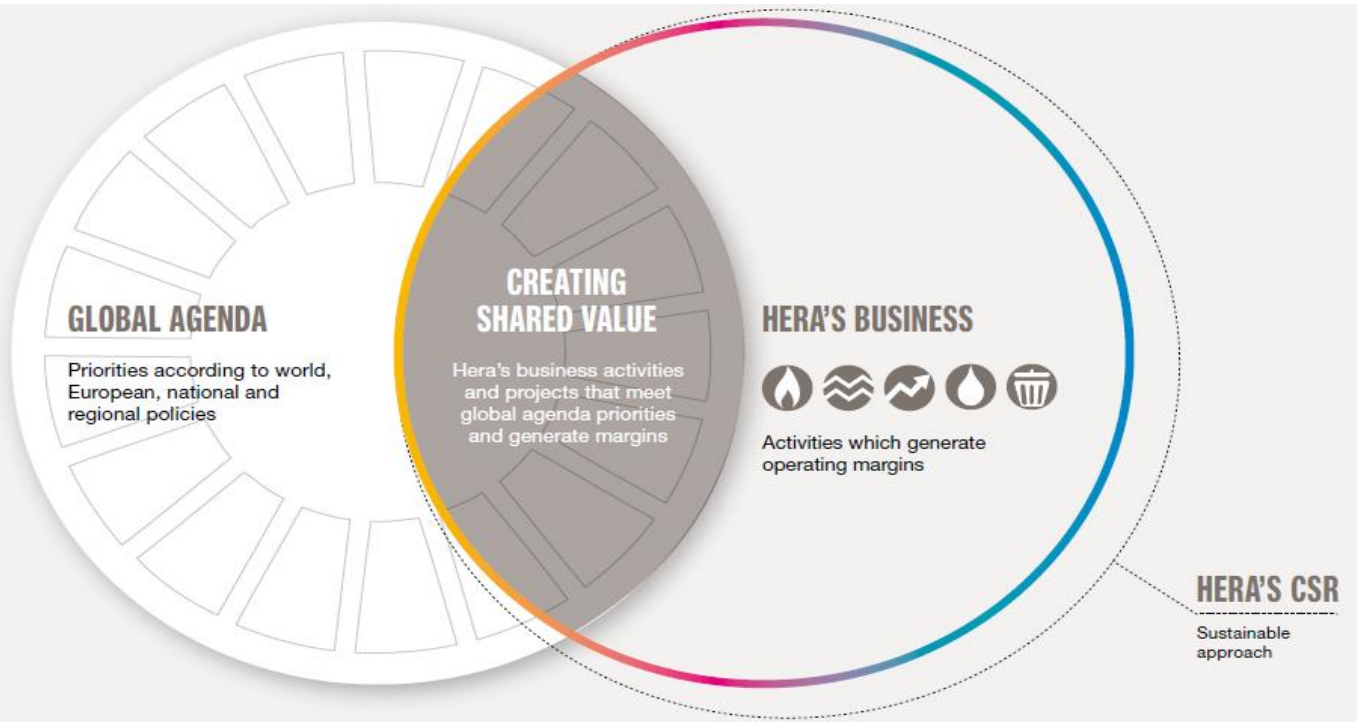
The Group's strategy is set out in our Business Plan for the coming 4 years; the most recent

2022-2026 Plan projects growing economic results, achieved by respecting economic-financial, environmental and social sustainability.

Our Creating Shared Value (CSV) approach is a beacon of business operations. It also guides corporate strategy and the drive for innovation to address the urgencies outlined in the UN Global Agenda 2030. This vision enables us to achieve positive effects in terms of competitiveness, reputation and involvement of our stakeholders.



## THE RELATIONSHIP BETWEEN CSR AND CSV ACCORDING TO HERA



Creating shared value is the new perspective. At the end of this process, a proposal was that integrates Hera's strategic approach to outlined for updating the drivers (or priorities) corporate social responsibility (CSR) and of change and the respective impact areas of sustainability. It stems from a path started in interest to Hera, which was approved and 2016 and is Hera's way of generating validated by top management. The new CSV economic value for the company and, at the framework is made up of three drivers: same time, producing a positive impact on society and the environment, taking into account global priorities.

Ever since 2016, the Hera Group's approach has therefore embraced activities and projects that:

- › improve its environmental and social sustainability performances mainly related to the businesses it manages (also, but not exclusively, in relation to the law and sector regulations) (CSR);
- › generate operating margins that are consistent with the "Global Agenda" priorities (CSV).

In 2020, three years after its creation, the Creating Shared Value (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 keeping with the past, sustainable development goals and policy analysis were also considered, including the European Taxonomy for Sustainable Finance that is currently being developed.

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

The three drivers of change and the relevant nine impact areas are linked to the 11 UN Global Agenda 2030 goals to which the Group contributes, seven of which are identified as priorities. The priority Sustainable Development Goals (SDGs) for the 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; goal 17, partnerships for the goals. Details of the other important SDGs are as follows: goal 4, quality education; goal 5, gender equality; goal 8, decent work and economic growth; goal 14, life under water.

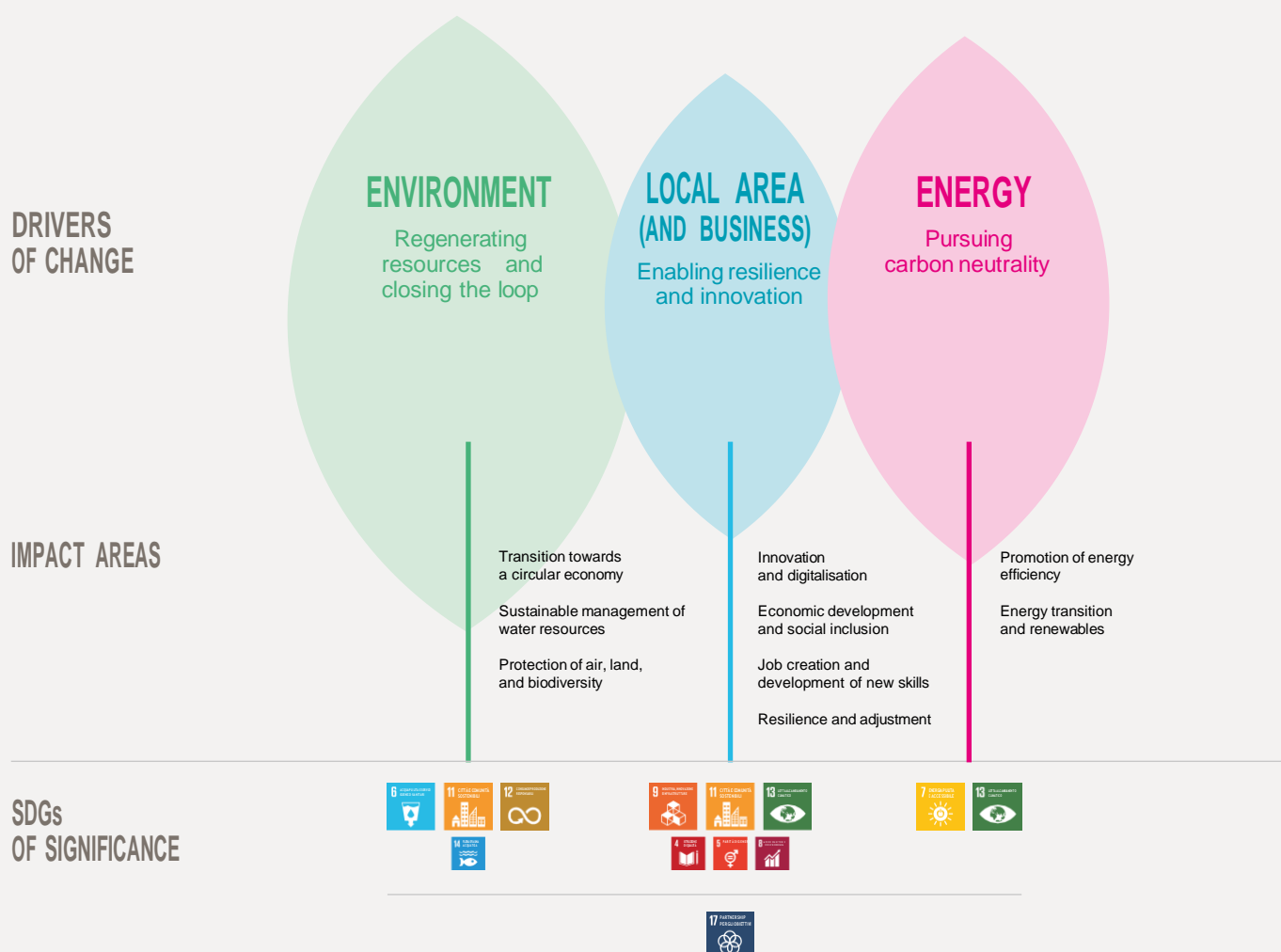
## Creating shared value is part of the Articles of Association

Another important step concerns the approval by the latest Shareholders Meeting of the introduction of the concept of “Purpose” with a focus on creating shared value into the Articles of Association of Hera, one of the first companies in Italy to do so. Indeed, an additional paragraph was included in Article 3 to explain the Group’s corporate purpose, i.e. the goals it aims to achieve in carrying out its business activities. This emphasises Hera’s commitment to sustainability, which has characterized it since its establishment.

The new paragraph reads as follows: “The Company acts on a business model aimed at creating long-term value for its shareholders,

by creating value shared with its stakeholders. To this purpose, the Company organizes and carries out business activities whose goals include promoting social equity and contributing to achieving carbon neutrality, regenerating resources and increasing the resilience of the service system managed, benefiting customers, local ecosystems and future generations”. The Articles of Association thus updated – in line with Borsa Italiana’s new Corporate Governance Code and best practices at European level – allow the Hera Group to further strengthen its commitment to the energy transition and circular economy, through innovation and digitisation, as well as the promotion of social equity.

### THE AREAS FOR CREATION OF SHARED VALUE FOR HERA: THE DRIVERS OF CHANGE, THE IMPACT AREAS AND THE UN GLOBAL AGENDA 2030 GOALS OF INTEREST TO HERA





## Hera's commitment to sustainability in national and international networks

Hera's commitment to sustainability has taken shape over the past years by joining leading international networks. The Hera Group was the second Italian company to become a member of the Ellen MacArthur Foundation, a world reference in circular economy, which aims to promote awareness of aspects related to this issue, exchange experiences, initiate projects in partnerships and cooperate in the field of research and development. 2020 was the second consecutive year of reporting on the New Plastics Economy Global Commitment, an initiative set up by the Foundation to make the plastic sector more circular and joined by the Group in 2018 with challenging goals. In 2020, Hera was one of the first companies to support the Business Call for a UN Treaty on Plastic Pollution promoted by the Ellen MacArthur Foundation, the World Wide Fund for Nature (WWF) and the consulting firm Boston Consulting Group. This call to action

is designed to provide a coordinated global response in the form of a UN treaty to help governments and businesses tackle plastic pollution.

Hera is also among the promoters of the Circular Economy Network (CEN), a project promoted by the Sustainable Development Foundation and by a group of companies and associations involved in the transition to a new model of circular economy.

The Hera Group joined the Global Compact in 2004, and in July 2017 it was included in the Global Compact Network Italia Foundation, the Italian network set up in 2013 which has been currently joined by over 50 businesses and non-businesses. Also, within the Global Compact, Hera joined the CEO Water Mandate, the United Nations Global Compact initiative promoted to re-launch commitment by companies in the sustainable management of water resources.



## Hera's new five-year strategy

The Group has enhanced its five-year strategy, following the new European directives and at the same time maintaining its coherence with the goals of the UN Global Agenda 2030, which for years has guided Hera's commitment towards sustainable development.

Hera's Business Plan revolves around three strategic focal points – the environment, socio-economic factors and innovation – according to which Hera's projects will take shape, in all business areas, with the aim of uniting the Group's development with that of the context in which it operates, creating a "win-win" situation and increasing shared value. In particular, the environmental focal points

include promoting a circular economy by recovering, reusing and regenerating resources. More generally, this area also includes all actions aimed at countering climate change – an area in which Hera has been a leading figure for some time.

The new Business plan points again towards strong sustainable growth. Attention towards sustainability continues to be a fundamental element in the Group's strategy, in line with the goals set out in the UN Global Agenda 2030 that can be applied to its activities (covering 11 of the UN's 17 SDGs) which have become part of the basic strategic objective and "the Purpose" of the Group. The new Business Plan revolves around three strategic focal points: the environment, socio-economic factors and innovation having development and growth as a transversal objective for all dimensions. Hera's projects will take shape according to them in all business areas, with the aim of uniting the Group's development with that of the context in which it operates, creating a "win-win" situation and increasing shared value.

## STRATEGIC PRIORITIES BY DIMENSION AND BY BUSINESS SECTOR

OBJECTIVES	CHALLENGES	DEVELOPMENT PILLARS
<b>Ecological Transition</b>	<ul style="list-style-type: none"> <li>Contributing to the Carbon Neutrality</li> <li>Decarbonisation and Energy Security</li> </ul>	<ul style="list-style-type: none"> <li>Electricity Renewables</li> <li>Renewable Gas</li> <li>Energy Efficiency</li> <li>Heat and Energy Recovery</li> <li>Network and Plant Resilience</li> <li>System resilience</li> <li>Recycling</li> <li>Separate collection</li> <li>Purification and sewage</li> <li>Saving water resources</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>Implementing the digital transition to accelerate responses to social and environmental challenges</li> <li>Technological development and digitisation</li> </ul>	<ul style="list-style-type: none"> <li>Field sensors and control</li> <li>Digital customers</li> <li>Data Strategy</li> <li>Corporate Digital Responsibility</li> </ul>
<b>Social cohesion and development</b>	<ul style="list-style-type: none"> <li>Ensuring social inclusion and integration policies</li> <li>Prosperity of the served areas</li> </ul>	<ul style="list-style-type: none"> <li>Shared value</li> <li>Evolution@work</li> <li>Organisational and regulatory agility</li> <li>HR strategy for transitions</li> <li>Technology for people</li> <li>Inclusion and Engagement</li> </ul>
<b>Development and dimensional growth</b>	<ul style="list-style-type: none"> <li>Consolidating business areas</li> <li>Expanding the Group's service offering</li> </ul>	<ul style="list-style-type: none"> <li>External growth (M&amp;A)</li> <li>PNRR</li> <li>Tenders in regulated sectors</li> <li>Tenders in energy markets</li> </ul>

### Long-term objectives by 2030

To even more concretely orient Hera's long-term objectives, and better define its contribution to implementing European policies and the UN's recommendations, the Group has extended its perspective to 2030.

One of the most significant challenges involves pursuing carbon neutrality: Hera aims at being the Italian multi-utility with the most ambitious goal, in line with the criteria of the "Science Based Targets initiative" (as regards, in particular, "Well below 2°C", intended to limit the increase in the earth's temperature to significantly under 2°C). This means lowering the amount of carbon dioxide emitted into the atmosphere by over 23% within 2026 and by roughly 37% within 2030, in both cases compared to 2019, calculating the emissions pro-

duced by both the Group and its customers, as regards electricity and gas sales.

With an eye to 2030, the Group will also continue to make efforts towards a circular economy, with a 150% increase in the amount of plastic recycled by Aliplast (compared to 2017), and over 75% rise in the amount of packaging recycled. Furthermore, the Group is giving greater attention to the contribution that may come from hydrogen, with reference on the one hand to the evolution and preparation of its own assets, beginning with gas distribution networks, and on the other to the new business opportunities that may be pursued thanks to its multi-utility platform; these prospects for development will also be pursued in partnerships with a number of important industrial actors.





## 1.2. RATIONALE FOR ESTABLISHING A SUSTAINABILITY-LINKED FINANCING FRAMEWORK

By establishing this Sustainability-Linked Financing Framework (the "Framework"), Hera Group ("Hera") aims to communicate to investors and all its stakeholders about its sustainability strategy plan, and especially the environmental focal points of its 2024 Business Plan, namely around circular economy and more broadly on its ambition to fight against climate change by taking action and making investments for the energy transition.

Moreover, by incorporating Sustainability-linked instruments within its funding policy, Hera aims at broadening its commitment to drive the effort to fight global warming as it is its duty being one of the leading multiutility companies in Italy.

To showcase the central role in the transition of Italy towards a sustainable economy, Hera has the ambition and commitment to issue its future debt instruments in sustainable format going forward.

This Framework has been established in accordance with the Sustainability-Linked Bond Principles 2023 ("SLBP")<sup>1</sup> as administered by ICMA and the Sustainability-Linked Loan Principles 2023 ("SLLP")<sup>2</sup>, and follows the five core components below:

- I. Selection of Key Performance Indicators (KPIs)
- II. Calibration of Sustainability Performance Targets (SPTs)
- III. Bond Characteristics
- IV. Reporting
- V. Verification

Hera Group's Sustainability-Linked Financing Framework aims at covering any upcoming sustainability-linked financing instruments, whether through Sustainability-Linked Bonds, Sustainability-Linked Loans, or any other capital market instruments whose characteristics are linked with sustainability performance targets (the "sustainability-linked instruments").

<sup>1</sup> ICMA SLBP 2023:

[Sustainability-Linked Bond Principles-June-2023-220623.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/sustainability-linked-bond-principles-june-2023-220623.pdf)

<sup>2</sup> LMA SLLP 2023:Sustainability-Linked-Loan-Principles-2023\_V07.pdf

# 2. HERA GROUP'S SUSTAINABILITY-LINKED FINANCING FRAMEWORK

## 2.1. SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Hera Group has selected two KPIs, which are core, relevant, and material to its business and industry.

**KPI 1: Absolute greenhouse gas (GHG) emissions reduction for Scopes 1+2 and Scope 3 (from the sale of electricity and the downstream sale of natural gas) (in thousands of tons of CO<sub>2</sub>e)**

**KPI 2: Recycled Plastic by Hera Group (in thousands of tons)**

### **KPI 1: Absolute greenhouse gas (GHG) emissions reduction for Scopes 1 + 2 + 3 (from the sale of electricity and the downstream sale of natural gas) (in t CO<sub>2</sub>e)**

#### **Definition and scope of the KPI:**

The scope of the targets includes both the Group's emissions (Scope 1 and 2) and those of its customers (Scope 3, from the sale of electricity and the downstream sale of natural gas).

Scope 1 emissions are defined as **emissions deriving from owned or controlled assets** i.e. waste-to-energy plants, natural gas consumption in stationary plants, landfills, leakage from gas distribution network, and fuel consumption for industrial purposes and in vehicles.

Scope 2 emissions are defined as **emissions deriving from the supply and consumption of electricity**.

Scope 3 emissions are defined as **emissions deriving from the use of natural gas by customers and emissions from the generation of electricity sold** by Hera Group.

Greenhouse gases includes CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O.

#### **Rationale and materiality of the KPI:**

Climate change is the biggest environmental challenge the world faces, impacting both Hera

Group's own operations and its entire value chain. Hera Group is conscious that gradually reducing its carbon footprint is key to support the Group's **path towards carbon neutrality**.

Hera chose to **include a large part of its Scope 3 emissions in the selected KPI** to ensure that the KPI is material and core. Indeed, the chosen scope of GHG emissions represents 86% of Hera Group's total emissions in 2019. Furthermore, this scope also corresponds to that of the targets Hera Group submitted to SBTi as detailed below.

The remaining 14% of Hera Group's total GHG emissions, excluded from the KPI, include upstream production of natural gas and of fuel consumed in cogeneration plants and in vehicles, upstream production of non-renewable electricity consumed internally, use of vehicles for waste collection and transport, and recycling of waste from separate waste collection in third-party plants and operations. The selected scope includes the most significant source of GHG emissions and those on which Hera believes it has the most control.

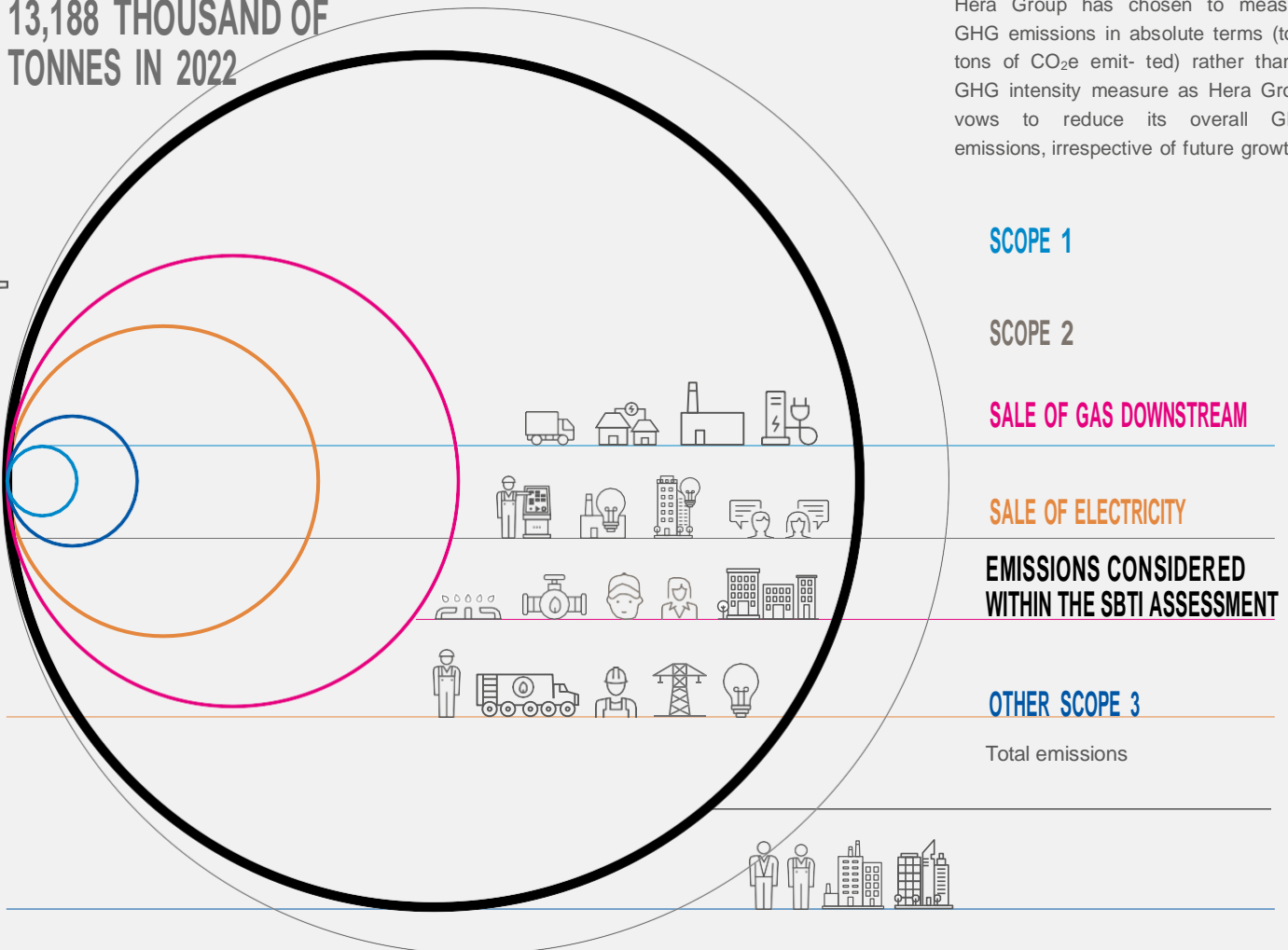


# GREENHOUSE GAS EMISSIONS BY SOURCE

	2019	2022
Scope 1	8%	7%
Scope 2	0%	0%
Sale of natural gas (downstream)	46%	52%
Sale of electricity	32%	26%
<b>Emissions considered within the SBTi assessment</b>	<b>86%</b>	<b>85%</b>
Other Scope 3	14%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

13,188 THOUSAND OF TONNES IN 2022

Hera Group has chosen to measure GHG emissions in absolute terms (total tons of CO<sub>2</sub>e emitted) rather than a GHG intensity measure as Hera Group vows to reduce its overall GHG emissions, irrespective of future growth.



SCOPE 1

SCOPE 2

SALE OF GAS DOWNSTREAM

SALE OF ELECTRICITY

**EMISSIONS CONSIDERED WITHIN THE SBTI ASSESSMENT**

OTHER SCOPE 3

Total emissions

13,626 THOUSAND OF TONNES IN 2019

**Scope 1 emissions** are calculated using the Italian Ministry of the Environment's coefficient (expressed in CO<sub>2</sub>e) for natural gas consumption in stationary plants and the Defra 2020 coefficients (expressed in CO<sub>2</sub>e) for fuel consumption for industrial purposes (diesel, LPG) and in vehicles (diesel, petrol, natural gas, LPG). For methane, Hera

Group used a GWP of 28 following the IPCC's recommendations.

**Scope 2 emissions** were calculated using Ispra's "National Inventory Report 2020" coefficients for the location-based method and the AIB's "European Residual Mixes, Results for calendar year 2019" for the market-based

method (expressed in CO<sub>2</sub>e).

Scope 2 emissions as included in the KPI are calculated based on the Market-based approach.

Scope 3 (use of sold products):

**Scope 3 emissions** were calculated following the Corporate Value Chain (Scope 3) Accounting and Reporting Standard guide-

lines adopted by the GHG Protocol. In particular, the Defra 2020 coefficients (expressed in CO<sub>2</sub>e) have been used to estimate Scope 3 emissions, except for emissions from the sales of electricity from non-renewable sources for which the coefficients of Ispra's "National Inventory Report 2020" have been used.





## KPI 2: Recycled plastics by Hera Group (in thousand of tonnes)

### Definition and scope of the KPI:

Tonnes of plastics recycled by Hera Group, including its subsidiaries (mainly Aliplast) and Joint Ventures.

### Rationale and materiality of the KPI:

**Circular economy is one of the sustainability priorities for Hera Group.** In fact, plastic recycling is a key business activity for the Group, active through Aliplast. Hera is one of the 250 companies worldwide and the only Italian multiutility company that in 2018 signed the **New Plastics Economy Global Commitment**, launched by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme (UNEP). The Foundation's initiative has the ultimate aim of tackling the problem of plastic pollution at the source and making the entire supply chain more circular: eliminating disposable products as much as possible, producing and using only recyclable, reusable or compostable packaging and promoting the use of recycled plastic. For this reason, the Foundation has created a global movement, involving all players in the supply chain, such as plastic packaging manufacturers and companies that use them to pack their products, large retailers, recycling companies, but also governments and investors.

At Italian level, COREPLA estimated that the 95% of plastic packaging placed on the Italian market is recovered, but only 47% of this packaging is recycled.

**Hera shows an advanced performance in its core waste management** (collection, pre-treatment, treatment) and intends to extend its activities, beyond the business as usual, to cover all the steps of the waste management value chain, **from collection to recycling**. This can contribute to a most efficient and effective global recycling of plastic.

As part of this strategy, Hera acquired Aliplast in 2017. This subsidiary manages the whole integrated plastic cycle, from waste collection and purchase to the production of raw material and packaging with the same quality level as virgin material, allowing for a stronger contribution to closing the gap of circular economy. Around 90% of the incom-

ing processed volumes are recovered/recycled, demonstrating very high efficiency.

Aliplast is part of Herambiente, the top Italian waste treatment operator. Aliplast is the leader in the collection and recycling of plastic waste, as well as in the production of high quality recycled plastic material aimed for circular economy.

Aliplast works to ensure the certainty for its customers that they will always be assisted by the best possible partner for a more effective use and ethically responsible management of plastics, while minimizing their environmental impact.

Aliplast manages the integrated plastic cycle, transforming waste into finished products, mainly PE films, PET plate and granules/flakes of the leading polymers. Its primary commitment is to make the plastic life-cycle sustainable, by **collecting and recycling plastic to produce new materials, with the lowest possible environmental impact**. Focusing on constant **research, development, and technological innovation** (regarding products, services, and processes), Aliplast manages a traceable plastics production chain, which is capable of transforming a disjointed chain into a virtuous circle and of ensuring **high-quality final products that are efficient and economically more convenient than traditional materials**.

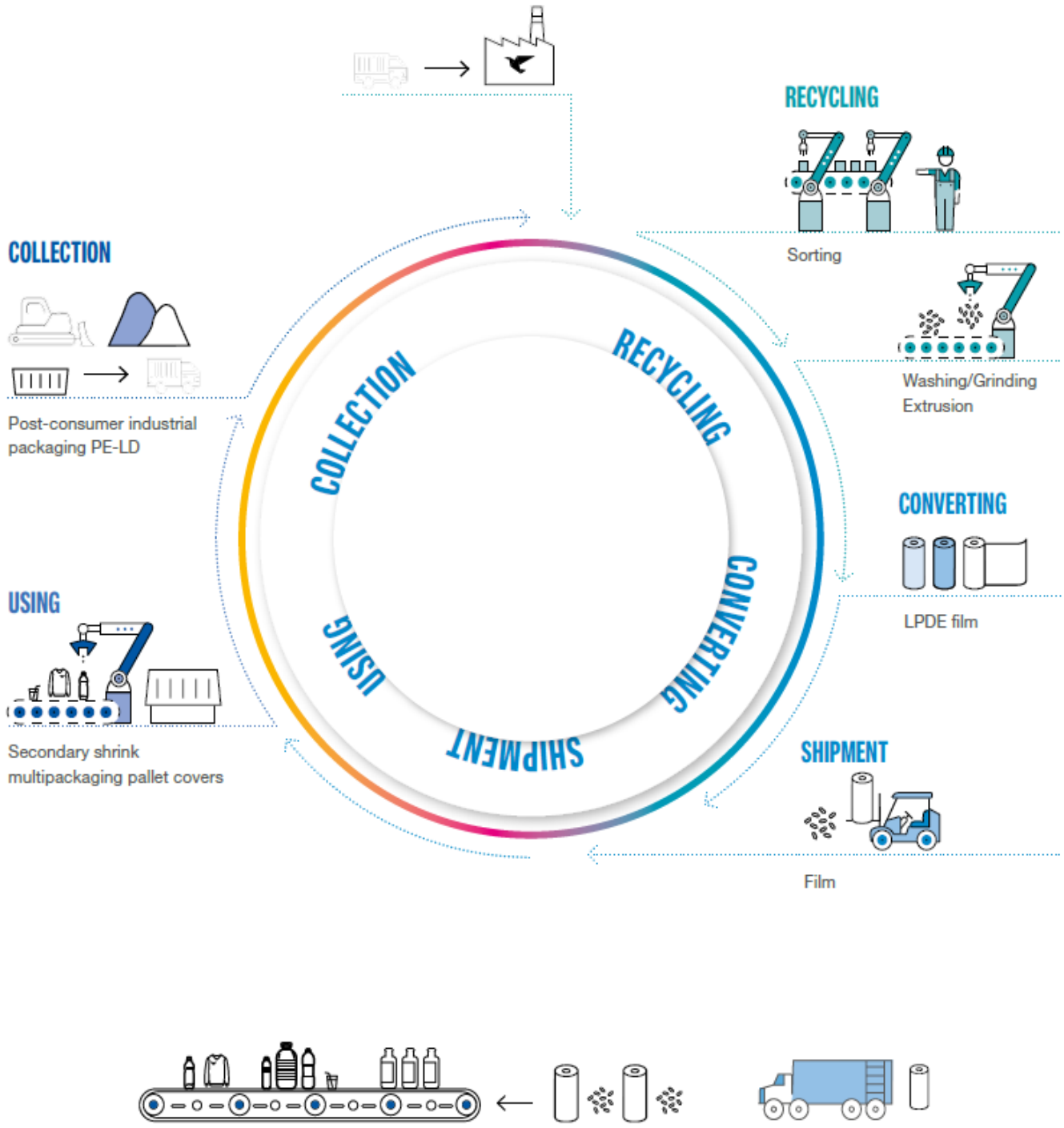
The acquisition of Aliplast allows Hera to develop industrial and commercial synergies like the cross selling on Hera's customers list leveraging on different markets, the development of commercial partnerships and multi-year contracts with the main global players and medium-sized companies for the sale of recycled material, the increase of market share outside Italy.

### Methodology:

Data refers to secondary raw material from incoming waste.

# CIRCULARITY MADE BY ALIPLAST

An example of circularity made by Aliplast:





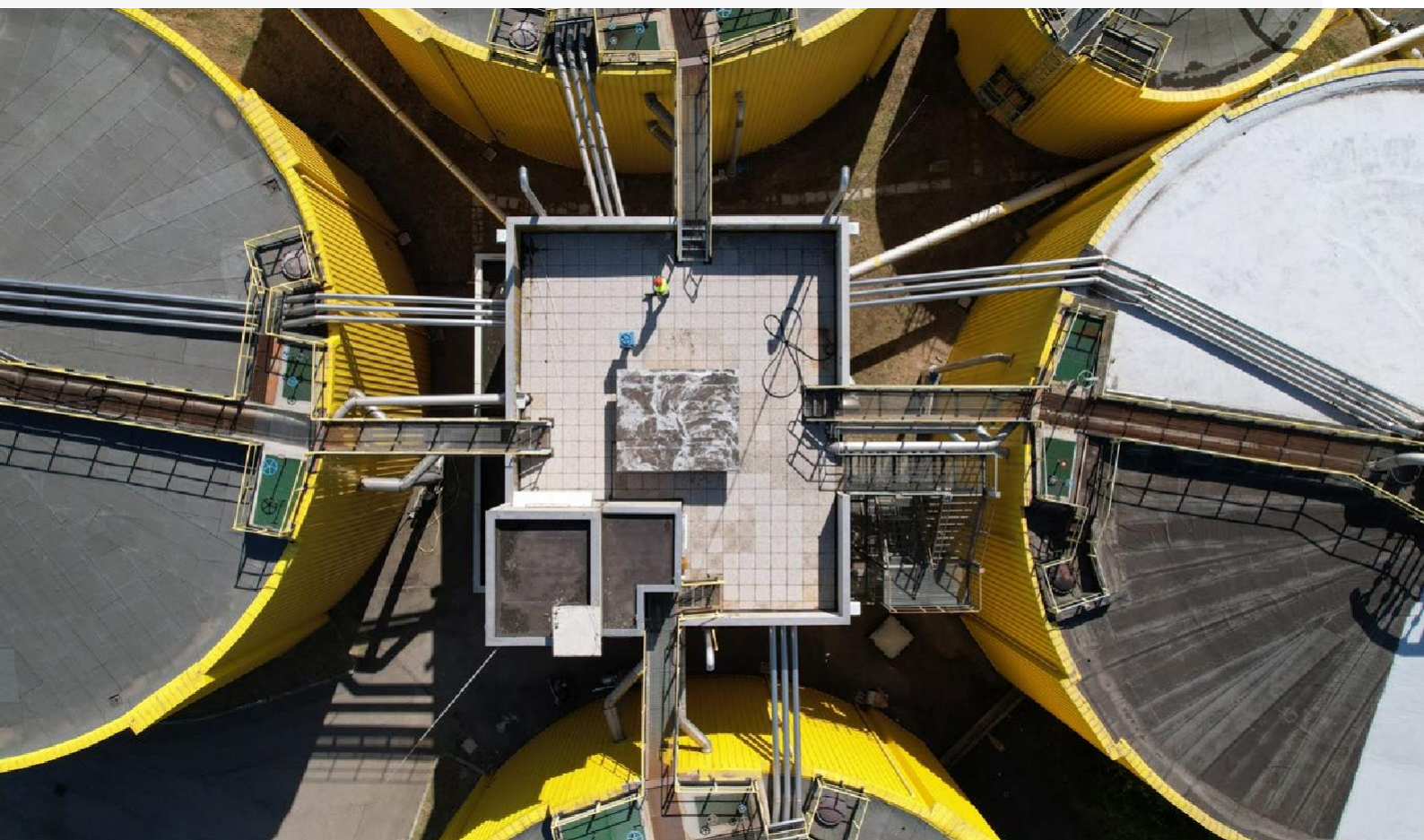




## 2.2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

**SPT 1.a.: Reduction of GHG emissions for the defined scope by 22.5% by 2026 (compared to a 2019 baseline)**

**SPT 1.b.: Reduction of GHG emissions for the defined scope by 36.7% by 2030 (compared to a 2019 baseline)**



### **Rationale and ambition of the target:**

**Hera Group is committed to follow a decarbonisation pathway** and achieving carbon neutrality is a key pillar of its strategy.

After measuring its carbon footprint for years, Hera Group decided to go a step further and in 2021 committed to establish targets validated by the Science Based Targets initiative (SBTi). During 2020, as part of the process of aligning reporting with the TCFD Recommendations, **Hera has explored climate physical and transition scenarios with a 2050-time horizon.** On the basis of these studies, the Group has identified 15 business development opportunities and, as a result, has defined **many initiatives which, together with the development of the energy and climate scenario, will contribute to the reduction of Hera Group's direct and indirect**

**greenhouse gas emissions.** On the basis of the above, Hera Group has defined emission reduction targets for 2030 compared to 2019 in line with the Science Based Targets initiative's methodology and included in the 2022-2026 business plan approved in January 2022. Hera Group submitted the defined targets to the Science Based Targets initiative at the end of January 2021 and they were approved in April 2021.

Specifically, the Group's following **four targets** were **validated by the Science Based Targets initiative:**

- ▶ **Scope 1+2: absolute reduction of 28% by 2030** compared to 2019 (the target boundary includes biogenic emissions and removals from bioenergy feedstocks and biodegradable sources from municipal solid waste);



- › **Scope 2: increase** the share of certified renewable electricity to cover internal energy consumption from **83% to 100% by 2023**;
- › **Scope 3 downstream sale of methane gas: absolute reduction of 30% by 2030** compared to 2019;
- › **Scope 3 sale of electricity: reduction of carbon intensity (t CO<sub>2</sub>e/MWh) of 50% by 2030** compared to 2019, in line with the Sectoral Decarbonization Approach (Sda).

Scope 1+2 and Scope 3 downstream sale of methane gas targets are aligned with a “well below 2°C” scenario while Scope 3 sale of electricity target is aligned with a “1.5 °C” scenario.

Based on these targets, the reduction of greenhouse

gas emissions for the defined scope is expected to be 36.7% to 2030 compared to 2019.

Hera Group has also set targets for 2024 according to the Business Plan timeframe. Hera runs a four-year Business plan rolling.

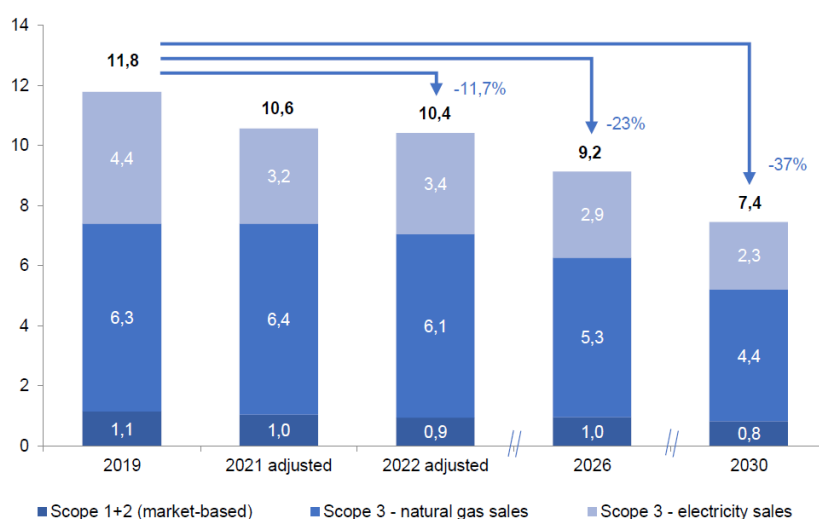
#### Baseline and historical data:

Hera Group chose 2019 as baseline year to be consistent with the SBTi. Furthermore, the 2020 data have been strongly affected by COVID-19 restriction periods.

For the base year of 2019, Scope 1+2 and Scope 3 (from the sale of electricity and the downstream sale of natural gas) absolute GHG emissions were 11,781.2 thousands of tonnes of CO<sub>2</sub>e.

(In thousands of t CO <sub>2</sub> e)	2019* (baseline)	2022***	2026 (targeted)	2030 (targeted)
Scope 1 + 2 (market-based)	1,131.0	936.6	-15.8%	-28.0%
Scope 3 sale of methane gas – downstream	6,263.5	6,112.9	-15.2%	-30.0%
Scope 3 sale of electricity	4,386.7	3,357.1	-36.5%	-48.5%**
<b>Total Scope 1 + 2 (market-based) + 3 (sale of electricity and downstream sale of methane gas)</b>	<b>11,781.2</b>	<b>10,406.6</b>	<b>-22,5%</b>	<b>-36.7%</b>
% change vs 2019	n.a.	-11,7%	-22,5%	-36.7%

## HERA'S GROUP GREENHOUSE GAS EMISSIONS (MILLION TONNES)



Source: 2022 Sustainability report

(\*) To allow comparability of data, the 2019 figure includes data on Estenergy, Amgas Blu, Ascotrade, Ascopiave Energia, Blue Meta, and Etra Energia, which merged into Hera Group as at 31/12/2019.  
 (\*\*\*) The Scope 3 target for the sale of electricity derives from the Science Based Target for the carbon intensity of the sale of electricity.  
 (\*\*\*) The Scope 3 data relating to the sale of methane gas do not consider the transitory increases in volumes sold in last-resort services.

Scope 3 emissions deriving from to the downstream sale of methane gas and the sale of electricity.

## Strategy to reach the target:

Hera will achieve these targets through **many short and medium-term reduction initiatives**, such as:

- › optimizing and reducing energy consumption through revamping and ISO 50001 activities;
- › increasing the supply of electricity from renewable sources for Group companies' internal consumption;
- › further developing district heating;
- › optimizing the search process of leakages from gas distribution network;
- › using lower-impact vehicles;
- › developing energy efficiency services for buildings;
- › promoting energy efficiency services and products for residential customers (i.e. digital services that help customer to reduce or monitor energy consumptions);
- › increasing the sales of electricity from renewable sources;

- › launching initiatives to develop hydrogen as an energy carrier.

Hera Group expects **further improvements from external aspects set out in the CEN energy scenario** developed by Terna and Snam we used as a reference for defining the targets, such as the de-carbonisation of electricity production, the increase in energy efficiency and the electrification of energy consumption, which will contribute to meeting the target related to the decrease in GHG emissions.

### Factor that might put at risk the

Factors that support and/or might put at risk the achievement of the targets are disclosed in the relevant documentation of the sustainability-linked

**SPT 2.a.: By 2026, +101% of plastic recycled by Hera Group (equivalent target 120.0 thousand of tonnes/year) (compared to 2017 baseline)**

### Rationale and ambition of the target:

**The increase in the quantities of plastic recycled compared to the situation in the year 2017** was identified by Hera as one of the Group's objectives in the new plastics economy. With these objectives, Hera participated in the New Plastics Economy Global Commitment, an initiative with which in 2018 the Ellen MacArthur Foundation dealt with the problem of plastic pollution at source to make the entire plastic production chain more circular.

According to the association "Plastic Europe", the plastics demand by EU converters has been pretty stable in the last five years (and is forecasted to be unchanged) whereas Aliplast has significantly increased its production and market share in the

**SPT 2.b.: By 2030, +150% recycled plastics (equivalent target 148.9 thousand of tonnes/year) (compared to 2017 baseline)**

same period.

**The target was presented by Hera in the context of the "EU-wide pledging campaign for the uptake of recycled plastics"**, the campaign promoted by the European Commission to accelerate the diffusion of recycled plastics and achieve the European target of ten million tonnes of recycled plastic used for new products by 2025.

### Baseline and historical data:

Hera Group chose 2017 as baseline (this corresponds to the year Hera acquired Aliplast). For the base year of 2017, the volume of recycled plastic by Aliplast was 59.6 thousand of tonnes.

	2017 (baseline)	2018	2019	2020	2021	2022	2026 F	2030 F
<b>Recycled plastic by Hera (thousands of tonnes)</b>	59.6	63.7	72.8	68.8	80.9	79.2	120.0	148.9
<b>Recycled plastic by Hera (increase from 2017)</b>	n.a.	+7%	+22%	+16%	+36%	+33%	+101%	+150%

### Strategy to reach the target.

Main points of Hera's strategy are:

- › development of commercial partnerships and multi-year contracts with the main global players and medium-sized companies for the sale of recycled material;
- › cross selling on Hera's customers list leveraging on the different markets (example: customer of energy sector who seeks solutions for waste management);
- › increase market share outside Italy;
- › new recycling plants: in Modena focused on rigid plastics recycling and in Novara focused on high-quality PE-LD
- › increase the opening hours of most of recycling lines reaching 24/7;
- › look for M&A and JVs.





## 2.3. FINANCIAL CHARACTERISTICS

The proceeds of Hera's Sustainability-Linked instruments will be used for general corporate purposes.

All financing issued under this Framework have a sustainability-linked feature that will result in a coupon or margin adjustment, or a premium payment. The failure by Hera to satisfy the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date will trigger a step-up margin or margin adjustment, as applicable, payable as per the transaction documentation.

The achievement by Hera of the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date might trigger a margin adjustment applicable to interest periods following such reference date. However, for the avoid-

ance of doubt, in the case of sustainability-linked bonds, if the KPI(s) has achieved its SPT(s) and reporting and verification for the SPT have been provided and made public in accordance with the reporting and verification sections of this Framework, the financial characteristics of the relevant security issued by Hera Group under this Framework shall remain unchanged.

The relevant KPIs, SPTs, margin adjustment amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant SLB).

The Issuer will notify the investors of the achievement or not of the SPT on the day of publication of its non-financial report.



## 24. REPORTING

In order to provide investors and other stakeholders with adequate information about the progress made on the KPIs and the achievement or not of the SPT set out in this Framework and in security specific documentation, Hera will provide annual reporting until the relevant SPT target date of all outstanding sustainability-linked instruments. The reporting shall be made publicly available through Hera's existing annual Sustainability Report in a dedicated section called Sustainability-Linked Bond Progress Report. The report shall be published in April each year and no later than May.

The reporting 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 the baseline where relevant;

- › up-to-date information on the KPI outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance;
- › any relevant information enabling investors to monitor the progress of the SPT.

Where feasible and possible the SLB Progress Report will also include:

- › qualitative and/or quantitative explanations of the contribution of the main factors behind the evolution of the performance on the KPIs on an annual basis, including M&A activities;
- › illustration of the positive sustainability impacts of the performance improvement;
- › updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs, and potential impact on the KPIs/ SPTs/ or baselines.

## 25. EXTERNAL VERIFICATION

### Pre-issuance and annual verification

A Second Party Opinion has been provided by Sustainalytics to ensure that this Framework is respecting every principle of the SLBP 2023. It will be made publicly available on Hera Group's website: [https://eng.gruppohera.it/group\\_eng/](https://eng.gruppohera.it/group_eng/)

### Post-issuance verification

The annual performance of each selected KPI will be included in the Hera's existing annual non-financial report and will be subject to external verification by Nexia Audirevi (for fiscal year 2023), KPMG (for fiscal year 2024 and onward), or any other qualified provider of third party assurance. Verification of KPI performance will be conducted on an annual basis and at "Limited Assurance" standard.

## AMENDMENTS TO THIS FRAMEWORK

Hera Group will review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market. Any major update will be subject to the prior approval of Sustainability or any such other qualified provider of Second Party Opinion.

## FURTHER DETAILS FOR STEP-UP

The step-up margin or margin adjustment will not be triggered in case of: (a) an amendment to, or change in, any applicable policies, laws, regulations, rules and guidelines applicable to and/or relating to the Group's business activities, or a decision of a competent authority which has a direct and/or indirect impact on the issuer's ability to satisfy the relevant SPTs as of the observation date; (b) any concession granted to the issuer or its Subsidiaries being amended, revoked or terminated for any reason whatsoever prior to the relevant expiration date (and such revocation or termination becomes effective in accordance with its terms) or the relevant expiration date being shortened which

has a direct and/or indirect impact on the Issuer's ability to satisfy the relevant SPTs as of the observation date.

## RECALCULATION POLICY

The GHG emissions SPT will be recalculated: a) at the occurrence of any event that requires the issuer to recalculate the GHG Emission; or b) in case of a structural change in the Issuer and/or the Group and/or any other change event such that any recalculation is required or recommended by SBTi or any replacement/successor.

In such events the SPT will be recalculated in good faith by the issuer, certified or validated by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) and disclosed in the relevant Consolidated disclosure of Non-Financial Information. In case the new proposed target should not be validated by the SBTi, the GHG emission target will remain unchanged.

## DISCLAIMER

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SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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## Approved science-based target

The Science Based Targets initiative has validated that the corporate greenhouse gas emissions reduction target submitted by

### Hera Group

has been deemed to be in conformance with the SBTi Criteria and Recommendations (version 4.1)

The official target wording is:

*Hera Group commits to reduce absolute scope 1 and 2 GHG emissions 28% by 2030 from a 2019 base year. Hera Group commits to increase annual sourcing of renewable electricity from 83% in 2019 to 100% by 2023. Hera Group commits to reduce absolute scope 3 GHG emissions from the use of sold products 30% by 2030 from a 2019 base year. Hera Group also commits to reduce scope 3 GHG emissions for all sold electricity 50% per MWh over the same timeframe.\**

*\*The target boundary includes biogenic emissions and removals from bioenergy feedstocks and biodegradable sources from municipal solid waste.*

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