Second-Party Opinion

Hera Group's Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Hera Group Green Financing Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Sustainable Water and Wastewater Management, Circular Economy and Pollution Prevention and Control, and Energy Efficiency and Energy Infrastructure – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7 and 9.

PROJECT EVALUATION / SELECTION Hera's Group CFO, the Finance Department in collaboration with the Shared Value and Sustainability Director are responsible for overseeing the evaluation and selection of eligible projects. Hera's internal process of assessing, identifying and mitigating environmental and social risks is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

MANAGEMENT OF PROCEEDS Hera Group's Finance Department, in collaboration with the Shared Value and Sustainability Department, will monitor and track the allocation of proceeds by using an internal tracking system. Hera Group commits to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds will be temporarily invested in cash or other liquid marketable instruments. This is in line with market practice.

REPORTING Hera Group intends to report on allocation of proceeds in the Group's Sustainability Report on an annual basis until full allocation. In addition, Hera Group is committed to reporting on relevant impact metrics. Sustainalytics views Hera Group's allocation and impact reporting as aligned with market practice.

SUSTAINALYTICS SECOND-PARTY OPINION

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Issuer Location	Bologna, Italy

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Alignment with the EU Taxonomy

Sustainalytics has assessed Hera Group's Green Finance Framework with the EU Taxonomy Climate Delegated Act ((EU) 2021/2139) which supplements Regulation (EU) 2020/852, and is of the opinion that, of the Framework's 16 eligibility criteria (which map to 16 EU activities), all *align* with the applicable Climate Change Mitigation Technical Screening Criteria ("TSC") in the EU Taxonomy and the 48 sub-criteria all *align* with the Do No Significant Harm ("DNSH") Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Climate Transition Finance Handbook

Sustainalytics has evaluated Hera's transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020. Hera has a strategy that outlines commitments, goals and actions on climate transition and decarbonization, and directly addresses the environmental impacts of its core business. In addition, Hera commits to disclose investments relevant to its transition strategy and the climate-related outcomes of its implementation.

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Introduction

Hera Group ("Hera", or the "Group") is a listed multi-utility company based in Italy. Hera offers management of several public services including energy services, waste management, water distribution and wastewater, district heating, and public lighting to over 4.2 million people in 312 municipalities in Italy. In FY2021, Hera had revenues of EUR 10.5 billion.

Hera Group has developed the Hera Group's Green Financing Framework (the "Framework") under which it intends to issue multiple green bonds[1] and green loans[2] and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to facilitate the transition to a sustainable and low-carbon economy in Italy.

The Framework defines eligibility criteria in three areas:

1. Sustainable Water and Wastewater Management
2. Circular Economy and Pollution Prevention and Control
3. Energy Efficiency and Energy Infrastructure

Hera Group engaged Sustainalytics to review the Hera Group Green Financing Framework, dated April 2022, and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)[3] and the Green Loan Principles 2021 (GLP).[4] This Framework will be published in a separate document.[5]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[6] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The Use of Proceeds criteria alignment with the EU Taxonomy Climate Delegated Act ((EU) 2021/2139)[7], which specifies technical screening criteria (TSC) for economic activities that contribute to climate adaptation and climate mitigation, under the EU Taxonomy Regulation ((EU) 2020/852)[8]; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Hera Group's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Hera Group representatives have confirmed (1) they understand it is the sole responsibility of Hera Group to ensure that

[1] The green bonds include public and private format. Hera has communicated to Sustainalytics that private placements under the Framework do not include sales of stock shares.
[2] The green loans include Term Loans, Project Finance Loans, Asset Finance Loans, and Revolving Credit Facilities.
[3] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf
[4] The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: https://www.lsta.org/content/green-loan-principles/ (accessed 29 April 2022)
[5] The Hera Group Green Financing Framework is available on Hera Group's website at: www.gruppohera.it
[6] 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.
[7] Commission Delegated Regulation (EU) 2021/2139, at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN
[8] Commission Delegated Regulation (EU Taxonomy) in accordance with the Article 10 (6) of Regulation (EU) 2020/852 of the European Parliament and of the Council, at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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 that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hera Group.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the 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 impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

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 Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Hera Group's Green Financing Framework

Sustainalytics is of the opinion that the Hera Group's Green Financing Framework is credible and impactful and aligns to the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Hera Group's Green Finance Framework:

- Use of Proceeds:
  - The eligible categories – Sustainable Water and Wastewater Management, Circular Economy and Pollution Prevention and Control, and Energy Efficiency and Energy Infrastructure – are aligned with those recognized by the GBP and GLP.
  - Under the Sustainable Water and Wastewater Management category, Hera may finance or refinance construction, extension and operation of (i) water collection, treatment and supply systems, and (ii) wastewater collection and treatment systems. Hera has confirmed to Sustainalytics that the expenditures related to wastewater will exclude treatment of wastewater from fossil fuel operations. This is in line with market practice.
  - Under the Circular Economy & Pollution Prevention and Control category, Hera may finance or refinance the following:
    - Manufacture of plastics in primary form. Hera has confirmed to Sustainalytics that (i) the input is primarily (at least 90%) from mechanically recycled plastics, (ii) at least 90% is not intended for single use consumer products, and (iii) all products are recyclable.
    - Manufacture of biogas, biofuels for use in transport and bioliquids, where the input for the production is from: (i) biogenic proportions of municipal waste that are segregated before energy conversion, and (ii) vegetable waste derived from processes of the agro-food industry.
    - Collection and transport of non-hazardous waste in source segregated fractions. This may include expenditures for (i) waste containers and underground waste collection systems for separate waste collection, (ii) maintenance, upgrading and construction of new separate collection centres, (iii) projects aimed at increasing waste recycling rate.

Hera has communicated to Sustainalytics that the purchase or operation of vehicles for transporting waste will be excluded.
    - Anaerobic digestion of bio-waste, with input from biogenic waste proportions of municipal waste that are segregated before energy conversion.
    - Composting of bio-waste.
    - Motorbikes, passenger cars and light commercial vehicles with low (less than 50 gCO_2/km) or zero direct carbon emissions.
    - Sustainalytics views the above to be aligned with market practice.
- Under the Energy Efficiency and Energy Infrastructure category, Hera may finance or refinance the following:
    - Electricity generation using solar photovoltaic technology.
    - Development, construction and operation of electrical grid such as medium and low voltage overground transmission and distribution lines[9] that interconnects with the European grid system. For investments in transmission and distribution systems, the Framework intends to finance systems that are compliant with the criteria of EU Taxonomy.[10] Sustainalytics considers the expansion and maintenance of resilient electricity grids broadly to be supportive of positive environmental outcomes and recognizes Hera's intent to align with the EU Taxonomy. Nevertheless, it is noted that it has been common practice in the green bond market to finance transmission and distribution assets that are employed predominantly to transmit or enable the use of renewable energy, and that by not requiring that assets financed align with emissions intensity thresholds or transition trajectories the Framework's criteria represent a deviation from common practice and may allow for financing the transmission of carbon-intensive energy.
    - Construction and operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases. In addition, Hera may finance retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases such as biomethane in the networks. While recognizing that financing the modification of the transmission and distribution networks is intended for integrating hydrogen and low-carbon gases, which is consistent with the EU Taxonomy Delegated Act, Sustainalytics notes that the networks would still be distributing fossil fuels such as natural gas. Sustainalytics considers such investments may prolong fossil fuel consumption and are more suitable for transition finance. For further information on Hera's alignment to the Climate Transition Finance Handbook, please see Table 2.
    - District heating distribution networks that are primarily (above 50%) powered by renewables and/or waste heat that is derived from waste-to-energy plants, which is in line with market practice.
    - Production of heat/cool from geothermal energy, where the life-cycle GHG emissions are lower than 100g CO_2e/kWh,[11] verified by an independent third party. This is aligned with market practice.
    - Installation, maintenance and repair of energy efficiency equipment in public administration buildings, which include (i) addition or application of insulation to existing building envelope components, (ii) replacement of existing windows with new energy efficient windows, and (iii) installation and replacement of energy efficient light sources. This is in line with market practice.
    - Installation, maintenance and repair of smart meters for gas, heat, cool and electricity. Sustainalytics notes that Hera intends to finance smart meters for gas, which is consistent with the EU Taxonomy. However, such investments may prolong fossil fuel consumption. Sustainalytics considers that investments which could be tied to natural

[9] Hera has communicated to Sustainalytics that the overground transmission and distribution lines do not include overground high-voltage lines.
[10] As per the EU Delegated Act, grids must either (i) have an emission intensity for more than 67% of newly enabled generation capacity does not exceed 100g CO_2e per kWh, or (ii) have and average system grid emission factor does not exceed 100g CO_2e per kWh, or (iii) be part of the interconnected European system.
[11] Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018.

gas and associated components and systems are more suitable for transition finance. For further information on Hera's alignment to the Climate Transition Finance Handbook, please see Table 2.
    - Installation, maintenance and repair of solar photovoltaic systems, solar hot water panels, thermal or electric energy storage and related ancillary equipment.
    - Hera has clarified that the expenditure for both the retrofit of gas transmission and distribution networks and smart gas meters will not exceed 10% of the total proceeds.
- Project Evaluation and Selection:
  - Hera's Group CFO, the Finance Department in collaboration with the Shared Value and Sustainability Director are responsible for overseeing the evaluation and selection of eligible projects. The annual reporting of investments will be further examined by the Ethics and Sustainability Committee.
  - Hera has in place the process of assessing, identifying and mitigating environmental and social risks of each investment in accordance with applicable laws and Hera's internal risk management policy, which is applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail, please see Section 2.
  - Based on the presence of cross-functional oversight of project selection as well as systems for risk management, Sustainalytics considers this process to be aligned with market practice.
- Management of Proceeds:
  - Hera's Finance Department, in collaboration with the Shared Value and Sustainability Department, will monitor and track the allocation of proceeds by using an internal tracking system.
  - Hera commits to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds will be temporarily invested in cash or other liquid marketable instruments in Hera's liquidity portfolio.
  - Hera has established a 24-month look back period for refinancing activities.
  - Based on the presence of an internal tracking system and the disclosure of temporary and full allocation, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Hera commits to provide allocation and impact reporting of the net proceeds in the Group's Sustainability Report on an annual basis until full allocation. The Sustainability Report will be published on Hera's website.
  - Allocation reporting will include the aggregated amount of green bonds and loans, the aggregated amount of allocated proceeds per category, the balance of unallocated proceeds, the proportion of proceeds for financing versus refinancing, the proportion of proceeds by project type, and the proportion of EU taxonomy aligned projects.
  - Impact reporting may include energy saved (toe), GHG emission avoided (tCO_2e), reduction of CO_2 emissions compared to 2019 (%). A detailed list of impact metrics can be found in Appendix 4.
  - Based on Hera's commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Hera Group's Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria ("TSC")
   - The 16 eligible green criteria outlined in the Framework were assessed as aligned with the applicable Climate Change Mitigation TSC of the EU Taxonomy.

2. Do No Significant Harm ("DNSH") Criteria
   - All 16 eligible green criteria are aligned with the applicable DNSH criteria.
   - The 16 criteria assessed have a total of 48 individual DNSH criteria (across all environmental objectives) applicable to them and all are aligned with the DNSH criteria.
3. Minimum Safeguards
   - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
   - For Sustainalytics' assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of Hera Group's Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Construction, extension and operation of water collection, treatment and supply systems	■	■	■	■	■	–	–	■
Construction, extension and operation of wastewater collection and treatment	■	■	■	■	■	–	■	■
Manufacture of plastics in primary form	■	■	■	■	■	–	■	■
Manufacture of biogas and biofuels for use in transport and of bioliquids	■	■	■	■	■	–	■	■
Collection and transport of non-hazardous waste in source segregated fractions	■	■	■	■	–	■	–	–
Anaerobic digestion of bio-waste	■	■	■	■	■	–	■	■
Composting of bio-waste	■	■	■	■	–	–	■	■
Transport by motorbikes, passenger cars and light commercial vehicles	■	■	■	■	–	■	■	–
Electricity generation using solar photovoltaic technology	■	■	■	■	–	■	–	■
Transmission and distribution of electricity	■	■	■	■	–	■	■	■
Transmission and distribution networks for renewable and low-carbon gases	■	■	■	■	■	–	–	■
District heating/cooling distribution	■	■	■	■	■	–	■	■
Production of heat/cool from geothermal energy	■	■	■	■	■	–	–	■
Installation, maintenance and repair of energy efficiency equipment	■	■	■	■	–	–	■	–
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	■	■	■	■	–	–	–	–
Installation, maintenance and repair of renewable energy technologies	■	■	■	■	–	–	–	–

Legend	
Aligned	■
Partially aligned	◘
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	–
Grey shading indicates the primary EU Environmental Objective	

Alignment against the Climate Transition Finance Handbook 2020

Sustainalytics has assessed the Hera Group's alignment with the recommendations of the Climate Transition Finance (CTF) Handbook and found it to be partially aligned overall. Sustainalytics highlights the following key elements of the assessment:

Table 2: Summary of alignment against the Climate Transition Finance Handbook 2020

Key Elements	ICMA Recommendation	Sustainalytics' Assessment	
Issuer's climate transition strategy and governance	- Transition strategy to address climate-related risks and contribute to alignment with the goals of the Paris Agreement - Relevant interim targets on the trajectory towards long-term goal - Governance of transition strategy	- See detailed assessment in Section 2 - Energy transition forms a key pillar in Hera's sustainability strategy. As part of Hera's 2030 validated targets, the Group commits to (i) reduce absolute scope 1 and 2 GHG emissions 28% by 2030 from a 2019 base year, (ii) increase annual sourcing of renewable electricity from 83% in 2019 to 100% by 2023, (iii) reduce absolute scope 3 GHG emissions from the use of sold products 30% by 2030 from a 2019 base year and (iv) reduce scope 3 GHG emissions for all sold electricity 50% per MWh over the same timeframe.[12] - While Hera has not set any long-term targets to support the decarbonization of its operations beyond 2030, it has undertaken a climate scenario analysis to support its long-term 2031-2050 decarbonization strategy and overall pursuit of carbon neutrality.[13] - Hera's Board of Directors, Control and Risks Committee, the Risk Committee indirectly supported by the Ethics and Sustainability Committee are responsible for overseeing the Group's management of risks and opportunities related to climate change. The Ethics and Sustainability Committee are tasked with monitoring the implementation of sustainability policies and the prior review of sustainability reporting.[14] - In 2021 Hera's Shareholders approved the update of Hera's Articles of Association to reflect Hera's purpose in carrying out its business activities to promote social equity and contribute to achieving carbon neutrality. The updated Articles of Association enable Hera to further strengthen its commitment towards energy transition.[15]	Partially Aligned
Business model environmental materiality	- Transition trajectory should be relevant to the environmentally-material parts of the Issuer's business model	- As a multi-utility company, electricity generation is a core component of Hera's business model. Hera' energy transition strategy addresses the environmental impact of its electricity generation business. Initiatives outlined in Hera's energy transition strategy including increasing the use of electricity from renewable sources, reducing greenhouse gas emissions from landfills, further developing district heating, increasing the sales of electricity from renewable sources, and the development of hydrogen as an energy carrier are	Aligned

[12] Hera, "Sustainability Report 2021", at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[13] Ibid.
[14] Ibid.
[15] Ibid.

		directly relevant to environmentally material aspects of Hera's operations.	
Climate transition strategy to be 'science-based' including targets and pathways	- Transition strategy should reference science-based targets and transition pathways	- Hera has established medium-term GHG emissions targets aligned with Science Based Targets Initiative's (SBTi) well-below two-degree pathway.[16]	Aligned
Implementation transparency	- Disclosure of CAPEX and OPEX plans - Climate-related outcomes and impacts these expenditures are intended to result in	- The Group reports its climate strategy and information through the CDP questionnaire and adheres to the Recommendations of the Task Force on Climate related Financial Disclosure (TCFD).[17] - Hera is committed to publicly reporting on capex investments made in order to achieve its targets under its energy transition strategy. - In addition, Hera intends to report on annually on its progress towards the energy transition targets.	Aligned

Section 2: Assessment of Hera Group's Sustainability Strategy

Credibility of Hera Group's Climate Transition Strategy

Sustainalytics recognizes that 10% or more of Hera's revenues are derived from gas distribution and while the proceeds will be used to finance and refinance green activities, given Hera's involvement in natural gas distribution, Sustainalytics has assessed Hera's climate transition strategy below:

Emission-Reduction Targets

As part of Hera's 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 increasing the share of certified renewable electricity purchased to cover domestic consumption to 100% by 2023.[18] In addition, Hera committed to reduce scope 3 GHG emissions from downstream methane gas sales by 30% by 2030 from a 2019 base year and to reduce carbon intensity (t CO_2e/MWh) from electricity sales by 50% for the same timeframe. These targets have been validated by the Science Based Target initiative as aligned with a "Well below 2° C" scenario.[19] Based on these targets, Hera is expected to reduce scope 1, 2 and 3 GHG emissions by 37% in 2030 compared to 2019 levels. While Hera has not committed to long-term 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.

Decarbonization Pathway and Implementation Plan

Hera's decarbonization pathway and strategic plan are focused on the promotion of energy efficiency and energy transition and renewables:

- Energy efficiency projects: Hera intends to carry out initiatives and projects to reduce its own carbon footprint through implementing energy efficiency plans and offer solutions that reduce carbon footprint of customers in households, condominiums, businesses and public administration. In addition to these efforts, Hera will work towards implementing energy-saving measures in public lighting, including replacing luminaires with LED lamps and additional energy efficiency measures through the implementation of industrial co-generation plants. Hera also plans to construct new substations and new networks to further promote energy efficiency.[20]
- Hydrogen: Hera plans to launch initiatives for the development of hydrogen as an energy vector including experimental injection into the gas distribution network, identification of technological

[16] SBTi, "Companies taking action", at: https://sciencebasedtargets.org/companies-taking-action#table
[17] Hera, "Sustainability Report 2021", at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[18] Ibid.
[19] Ibid.
[20] Hera, "Sustainability Report 2021", at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799

solutions for energy intensive industries, construction of power-to-gas plant and feasibility assessment of the use of green hydrogen production.[21]

- Expansion of biomethane and geothermal: To increase the volumes from renewable electricity, Hera plans to develop additional plants that produce biomethane from the bio digestion of organic waste (17 million cubic meters by 2025) and extend its district heating service with geothermal heat production.[22]

Sustainalytics considers Hera's climate transition strategy as credible and supportive of Hera's short- and mid-term decarbonization targets. Sustainalytics encourages the Group to consider setting long-term targets for reduction in carbon emissions or emissions intensity to support the decarbonization of its operations beyond 2030.

Hera Group's Environmental and Social Risk Management

Sustainalytics recognizes that the net proceeds from the bonds or loans issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include risks related to land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste generated in construction, occupational health and safety as well as stakeholder participation.

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 as well as its vulnerabilities to external risks. 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 internal audit.[23]

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

- To manage land-use and biodiversity risk, the Group has established an Integrated Environmental Authorizations (IEA) and screening procedure to carry out environmental impact assessments during the project construction stage. Through the IEA procedure, the Group analyzes various environmental aspects such as atmosphere, noise, water resources, soil and subsoil, flora and fauna ecosystem to assess the impacts and identify mitigation measures.[24] The Group adopts the following measures to preserve the natural context of land: (i) identify technical solutions to reuse developed areas, (ii) use existing and/or already occupied area/infrastructure and (iii) reduce the infrastructure size or restore the area after the end-of-life cycle. The decommissioning or rehabilitation of sites is planned in compliance with Hera's environmental impact assessment procedures and auditing guidelines.[25]
- To prevent and control pollution from waste and effluents, the Group regularly monitors, screens and audits its third-party hazardous waste treatment facilities, and encourages those facilities to adopt circular economy principles. Hera monitors the discharge of treated wastewater by conducting acute toxicity tests on their 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 their operations on nearby areas.[26] In addition, the Group has in place an environmental management system certified with ISO 14001 Environment Management Standards, to minimize the negative effects of Hera's operations on air, water, and land.
- Regarding occupational health and safety, Hera has introduced safety culture training programs that promote risk awareness and strengthen its culture of health and safety. The Group is also certified to the ISO 45001 Occupational Health and Safety Management Standard to reduce workplace risk and enhance the safety standards within its operations.

[21] Ibid.
[22] Hera, "Sustainability Report 2021", at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[23] Summary of Hera Groups' Risk Management Policy shared internally with Sustainalytics.
[24] Hera Group, "Sustainability report", (2021), at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[25] Hera group engagement with biodiversity, at: HERA GROUP engagement with biodiversity (gruppohera.it)
[26] Hera group Sustainability report, (2021), at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799

- The Group has established guidelines for stakeholder engagement to promote collaboration and cooperation with all stakeholders. Through such guidelines, the Group intends to undertake surveys to identify and prioritize the stakeholders with interests within their operational area and engage directly with them to prevent and mitigate emerging risks that may arise in projects made at a local level.[27]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hera Group has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human and Labour Rights

Hera Group has implemented the following policies and procedures aimed at ensuring human and labour rights:

- Hera Group has established a formal human rights commitment in compliance with the guidelines and the principles mentioned in the UN Global Compact, the United Nations Universal Declaration of Human Rights, the International Labor Organization and the OECD guidelines for multinational companies. It also addresses child-labour, forced or compulsory labour, human trafficking, freedom of association and discrimination amongst other things.[28]
- The Group has developed a Code of Ethics policy under which it outlines its commitment to diversity and inclusion and to increase equal opportunities among its workers, customers and other stakeholders.[29] Under its Code of Ethics Relations with Suppliers policy, the Group ascertains its suppliers' compliance with the national and international human rights and standards.[30]
- The Group is signatory to the WBCSD's 'CEO Guide to Human Rights' to improve its human rights performance, embed human rights in its corporate culture and set clear expectations with its stakeholders while driving engagement and collaboration with them.[31]

Sustainalytics' ESG Risk Rating has evaluated the performance of Hera Group in the area of human and labour rights, and has not detected involvement in any significant controversies which would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the framework.

Anti-bribery and anti-corruption

Hera Group has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- Hera Group has developed the 'Model for the Prevention of Corruption', that supplements its existing '231 Organization Model', which complies with the Italian Legislative Decree no. 231/2001 to create awareness about ethical behaviors. The guidelines mentioned in this model ensure that suppliers comply with its anti-corruption measures, Code of Ethics and applicable local law. Further, the Group conducts periodic audits and training activities with a view to preventing fraud and corruption among its stakeholders.[32]

[27] Hera group stakeholder engagement guidelines, at: HERA SpA (gruppohera.it)
[28] Hera Group, "Human Right commitment", at: 64c4e56d-cf60-b34f-65c7-34eb56cf126e (gruppohera.it)
[29] Hera Group, "Code of Conduct", at: 3924adc9-d72c-2a92-722f-28076a048789 (gruppohera.it)
[30] Hera Group, "Code of Conduct Relations with Supplier", at: fa97c798-4cb4-c1f3-d28a-4899355adadd (gruppohera.it)
[31] Hera Group, "Sustainability Report", (2021), at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[32] Hera Group, "Anti-Corruption Model", at: https://eng.gruppohera.it/documents/1514726/4185810/Anti+corruption+Model.pdf/c978cb74-7758-a89d-f9fa-cf2c95ddbfe3?t=1643800851664

- The Group is ISO 37001 Anti-Bribery Management System Standard certified. Through this standard the Group can prevent, detect and address bribery through policies, compliance, training, risk assessments and due diligence on projects and business stakeholders.[33]
- The Group has established a whistleblowing reporting website to report infringement of its Anti-Corruption Model, presumed offence, fraud, corruption or crime of another nature or any other useful information for the purpose of preventing offences. [34]

Sustainalytics' ESG Risk Rating has valuated the performance of Hera Group in the area of anti-bribery and anti-corruption rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks. Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hera Group policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of sustainable water and wastewater management in Italy

In 2020, Italy abstracted 9.2 billion m^3 of fresh water for the public water supply, which represented the largest volume within the EU 27.[35] Furthermore, Italy is among the eight most vulnerable countries to a decrease in water availability.[36] In addition, the efficiency of the public water supply network is low, with a total water loss rate of 42% in 2018.[37] Avoiding these losses would have met the water needs of approximately 44 million people for a year,[38] highlighting the importance of promoting water supply efficiency to save water and address water stress in Italy.

Italy's households and industries generate 15.6 million m^3 of wastewater every day, which requires treatment before discharge.[39] As of 2018, 18 million people (30% of the Italian population) were partially or not connected to urban wastewater treatment plants.[40] In addition, the European Urban Wastewater treatment Directive 91/271/EC establishes targets for Italy to provide biological treatment to 74.7 million population equivalent (p.e.) of wastewater and provide biological treatment with nitrogen or phosphorus removal to 35.3 million p.e. of wastewater in urban areas.[41] However, in 2021, only 56% of urban wastewater was treated in Italy, which is well below the EU average of 76%, which highlights the need of more investment in wastewater treatment infrastructure.[42]

Based on the above context, Sustainalytics is of the opinion that Hera Group's financing of water and wastewater collection and treatment projects can provide positive environmental impact in Italy.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Framework are expected to help advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target

[33] Hera Group, "Code of Ethics: Integrity and anti-Corruption", at: https://eng.gruppohera.it/group_eng/who-we-are/about-our-group/code-of-ethics
[34] Hera Group, "Internal Auditing: Whistleblowing", https://eng.gruppohera.it/group_eng/corporate-governance/internal-auditing
[35] Istat, "Istat Water Statistics | Years 2018-2020 ", (2021), at: https://www.istat.it/it/files//2021/03/GMA2021_ENG.pdf
[36] European Commission, "Climate change and Europe's water resources", (2020), available at: https://publications.jrc.ec.europa.eu/repository/handle/JRC118586
[37] This means that for every 100 liters of water introduced into the supply system, 42 were not supplied to end-users, demonstrating the need for adequate water infrastructure.
Istat, "Istat Water Statistics | Years 2018-2020 ", (2021), at: https://www.istat.it/it/files//2021/03/GMA2021_ENG.pdf
[38] Ibid.
[39] WISE Freshwater, "Italy", at: https://water.europa.eu/freshwater/countries/uwwt/italy
[40] Istat, "Istat Water Statistics | Years 2018-2020 ", (2021), at: https://www.istat.it/it/files//2021/03/GMA2021_ENG.pdf
[41] Ibid.
[42] Ibid.

Sustainable water and wastewater management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Circular Economy & Pollution prevention and control	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency and Energy Infrastructure	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 processes, with all countries taking action in accordance with their respective capabilities

Conclusion

Hera has developed the Hera Group Green Financing Framework under which it will issue multiple green bonds and assumed indebtedness under green loans and use the proceeds to finance sustainable water and wastewater management projects, circular economy and pollution prevention and control projects, and energy efficiency and energy infrastructure projects. Sustainalytics considers that the projects funded by the green finance proceeds are expected to have provide positive environmental impact.

The Hera Group Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Hera Group Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7 and 9. Additionally, Sustainalytics is of the opinion that Hera has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed Hera Group's Green Financing Framework for alignment with the EU Taxonomy and is of the opinion that the Framework's three eligibility criteria which map to 16 EU activities are aligned with the applicable Technical Screening Criteria ("TSC") in the EU Taxonomy and aligned with the applicable Do No Significant Harm Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Sustainalytics has also evaluated Hera's transition governance, strategy, decarbonization targets, and intentions to report on transition progress and finds the Company to be partially aligned with the recommendations of the Climate Transition Finance Handbook 2020.

Based on the above, Sustainalytics is confident that Hera Group is well-positioned to issue green bonds and assumed indebtedness under green loans that the Hera Group Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE[43] activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds and loans may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for Hera Group's Framework is shown in Table 2 below.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the Climate Change Mitigation TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Sustainable water and wastewater management	5.1 Construction, extension and operation of water collection, treatment and supply systems	5.1. Construction, extension and operation of water collection, treatment and supply systems	E36.00, F42.99	Mitigation	3
	5.3 Construction, extension and operation of wastewater collection and treatment	5.3. Construction, extension and operation of wastewater collection and treatment	E37.00, F42.99	Mitigation	4

[43] The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

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Circular Economy & Pollution prevention and control	3.17 Manufacture of plastics in primary form	3.17. Manufacture of plastics in primary form	C20.16	Mitigation	5
	4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids	4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids	D35.21	Mitigation	6
	5.5 Collection and transport of non-hazardous waste in source segregated fractions	5.5. Collection and transport of non-hazardous waste in source segregated fractions	E38.11	Mitigation	7
	5.7 Anaerobic digestion of bio-waste	5.7. Anaerobic digestion of bio-waste	E38.21, F42.99	Mitigation	8
	5.8 Composting of bio-waste	5.8. Composting of bio-waste	E38.21, F42.99	Mitigation	9
	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	6.5. Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39 and N77.11	Mitigation	10
Energy Efficiency and Energy Infrastructure	4.1 Electricity generation using solar photovoltaic technology	4.1 Electricity generation using solar photovoltaic technology	D35.11 and F42.22	Mitigation	11
	4.9 Transmission and Distribution of Electricity	4.9. Transmission and distribution of electricity	D35.12, D35.13	Mitigation	12
	4.14 Transmission and distribution networks for renewable and low-carbon gases	4.14. Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21 and H49.50	Mitigation	13
	4.15 District Heating/Cooling distribution	4.15. District heating/cooling distribution	D35.30	Mitigation	14
	4.22 Production of heat/cool and power from geothermal energy	4.22. Production of heat/cool from geothermal energy	D35.30	Mitigation	15
	7.3 Installation, maintenance and repair of energy efficiency equipment	7.3. Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	Mitigation	16
	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	Mitigation	17

	energy performance of buildings				
	7.6 Installation, maintenance and repair of renewable energy technologies	7.6. Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	Mitigation	18

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer's Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed	5.1. Construction, extension and operation of water collection, treatment and supply systems		
EU Activity	5.1. Construction, extension and operation of water collection, treatment and supply systems		
NACE Code	E36.00, F42.99		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The water supply system complies with one of the following criteria: (a) the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy); (b) the leakage level is either calculated using the Infrastructure Leakage Index (ILI) rating method and the threshold value equals to or is lower than 1.5 or is calculated using another appropriate method and the threshold value is established in accordance with Article 4 of Directive (EU) 2020/2184 of the European Parliament and of the Council. That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e., at water supply zone level, district metered area(s) (DMAs) or pressure managed area(s) (PMAs).	Hera confirmed that it complies with one of the following criteria: (a) The projects financed under the Framework activity comply with the mitigation thresholds included in the Technical Screening Criteria regarding the average net energy consumption for abstraction and treatment (0.5 kWh per cubic meter produced water supply). Net average energy consumption data takes into account total electricity consumption (including distribution) and volumes of water introduced into the network. (b) According to Italian regulation (pending implementation of art. 4 c.3 of Directive 2020/2184), in accordance with the requirements of ARERA resolution 917/17, the reference thresholds indicator M1 identifies water network leakages. Class A is identified as M1a. Hera has considered the value of linear leakage for M1a (15 mc/km/day) as equivalent to Infrastructure Leakage Index 1.5. The projects financed under this Framework activity comply with the mitigation Technical Screening Criteria, as the leakage level is lower than M1a threshold of 15 mc/km/day. Hera states that in addition to respecting criterion (a), it also complies with the EU Taxonomy mitigation criteria (b) as the leakage level is lower than M1a threshold of 15 mc/km/day.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned

Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Hera confirmed that as all uses of the primary resource (both surface water and ground water) take place on the basis of derivation concessions issued by the competent authorities and made available to the Integrated Water Service operator. In addition, the Group confirmed compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. Hera states that water-related activities are regulated by ARERA at national level, and other regional authorities depending of the region - Atersir in Emilia Romagna region[44] (Italian regulatory agency of local environmental public services) - and the license to operate granted to Hera by Atersir includes water-related checks and approvals (Atersir determines under which circumstances EIA is considered a requirement to get a license for public water management. For additional information, please check Hera's Regulatory framework).[45] Furthermore, the Group confirmed that the environmental compatibility assessments for all the projects/activities under this economic activity of the Framework had been carried out with a positive outcome when the concessions were issued by the public administration.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

[44] Atersir, at: http://www.atersir.it/
[45] Hera Group, Water Regulatory framework, at: https://eng.gruppohera.it/group_eng/business-activities/water/regulatory-framework

Table 4

Framework Activity assessed	5.3 Construction, extension and operation of wastewater collection and treatment		
EU Activity	5.3 Construction, extension and operation of wastewater collection and treatment		
NACE Code	E37.00, F42.99		
	EU Technical Screening Criteria	***Alignment with Technical Screening Criteria***	
Mitigation	1. The net energy consumption of the wastewater treatment plant equals to or is lower than: (a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10000 p.e.; (b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10000 and 100000 p.e.; (c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100000 p.e. Net energy consumption of the operation of the wastewater treatment plant may take into account measures decreasing energy consumption relating to source control (reduction of storm water or pollutant load inputs), and, as appropriate, energy generation within the system (such as hydraulic, solar, thermal and wind energy). 2. For the construction and extension of a wastewater treatment plant or a waste water treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons), an assessment of the direct GHG emissions is performed. The results are disclosed to investors and clients on demand	1. Hera confirmed all its wastewater plant projects financed under the Framework activity, has a net energy consumption lower than the threshold kWh p.e. per annum according to their respective capacity. (a) 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10000 p.e.; (b) 25 kWh per population equivalent (p.e.) per annum for treatment plant capacity between 10000 and 100000 p.e.; (c) 20 kWh per population equivalent (p.e.) per annum for treatment plant capacity above 100000 p.e. 2. Hera's investments do not include construction and extension of a wastewater treatment plant or a wastewater treatment plant with a collection system, which are substituting more GHG-intensive treatment systems (such as septic tanks, anaerobic lagoons). Nevertheless, Hera is carrying out direct GHG emissions analyses due to its commitment to reduce carbon footprint of its activities.	Aligned
	DNSH Criteria	***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders.	Hera confirmed that it complies with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/EC on water policy. Hera states that water-related activities are regulated by ARERA at national level, and other regional authorities depending on the region – Atersir in Emilia Romagna region[46] (Italian regulatory agency of local environmental public services) - and the license to	Aligned

[46] Atersir, at: http://www.atersir.it/

	Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed. Where the waste water is treated to a level suitable for reuse in agricultural irrigation, the required risk management actions to avoid adverse environmental impacts have been defined and implemented.	operate granted to Hera by Atersir includes water-related checks and approvals (Atersir determines under which circumstances EIA is considered a requirement to get a license for public water management. For additional information, please check Hera's Regulatory Framework) [47] Hera confirmed that the operations of the projects financed under the Framework requires authorizations (in particular discharge authorizations) and compatibility assessments are considered with a positive outcome when the authorizations are issued by the Public Administration. Concerning wastewater reuse, the Sanitation Safety Plans pursuant to the new EU Regulation 741/2020 are still to be developed considering that the EU Regulation in art. 5 define: "*For the purpose of producing, supplying and using reclaimed water, the competent authority shall ensure that a water reuse risk management plan is established. One water reuse risk management plan may cover one or more water reuse systems*." However, the cases of reuse that are currently active are based on agreements with users (drainage consortium) validated by the Emilia-Romagna Region and Atersir (local authority). As indicated by Article. 16 of EU Regulation 2020/741, the Regulation will apply from 26 June 2023. As a consequence, a project is being defined for the development of a "pilot" Sanitation Safety Plan for one of the purifiers in the Province of Bologna.	
Pollution prevention and control	Discharges to receiving waters meet the requirements laid down in Council Directive 91/271/EEC or as required by national provisions stating maximum permissible pollutant levels from discharges to receiving waters. Appropriate measures have been implemented to avoid and mitigate excessive storm water overflows from the waste water collection system, which may include nature-based solutions, separate storm water collection systems, retention tanks and treatment of the first flush. Sewage sludge is used in accordance with Council Directive 86/278/EEC or as required by national law relating to the spreading of sludge on the soil or any other application of sludge on and in the soil	Hera confirmed that all activities financed under the Framework comply with the relevant requirements laid down in Council Directive 91/271/EEC210 or maximum permissible pollutant levels from discharges to receiving waters. Hera has confirmed that Hera Spa and Marche Multiservizi agglomeration of consistency greater than or equal to 2000 p.e. included in investments are compliant Hera confirmed that the requirements regarding measures to avoid and mitigate excessive storm water overflows from the wastewater collection system as well as the use of sewage sludge are respected since when renewing permits for the discharge of plants purification, the dilution ratios are carried out with precise analyses with which the flooding of mixed sewers is activated. Usually, these analyses return values higher than the minimum required and therefore do not require any adjustment.	Aligned

[47] Hera Group, "Regulations in force governing the regulation of the water service", at: https://eng.gruppohera.it/group_eng/business-activities/water/regulatory-framework

		The Group further mentioned that in Modena, Ravenna and Rimini provinces which have approved the Direction Plans for the management of rainwater pursuant to DGRER 286/2005, Hera is implementing - within the terms externally provided on the Investment Plans of the Integrated Water Service by the relevant authority - impact mitigation works consisting in some cases of separation of sewer networks and in others of first rain tanks. In the various areas, Hera has implemented interventions aimed at reducing sludge production, by improving the performance of the dewatering systems. Other similar interventions concern energy recovery (biogas). Sludge management favours indirect agronomic recovery and mono-incineration. Landfill disposal is completely residual. In 2021, in terms of dry matter, 2,479 t were landfilled out of a total production of 35,546 t (less than 7%).	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 5

Framework Activity assessed	3.17. Manufacture of plastics in primary form		
EU Activity	3.17. Manufacture of plastics in primary form		
NACE Code	C20.16		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity complies with one of the following criteria: (a) the plastic in primary form is fully manufactured by mechanical recycling of plastic waste; (b) where mechanical recycling is not technically feasible or economically viable, the plastic in primary form is fully manufactured by chemical recycling of plastic waste and the life cycle GHG emissions of the manufactured plastic, excluding any calculated credits from the production of fuels, are lower than the life cycle GHG emissions of the equivalent plastic in primary form manufactured from fossil fuel feedstock. Lifecycle GHG emissions are calculated using Recommendation 2013/179/EU	This activity of Hera Group complies with the below criteria: (a) the plastic in primary form is fully manufactured through mechanical recycling of plastic waste; Hera states that it does not intend to use agricultural or forest biomass for the manufacturing of plastics and hence compliance with the criteria laid down in Article 29 of Directive (EU) 2018/2001 is not applicable.	Aligned

	or, alternatively, using ISO 14067:2018153 or ISO 140641:2018. Quantified life cycle GHG emissions are verified by an independent third party. (c) derived wholly or partially from renewable feedstock and its life cycle GHG emissions are lower than the life cycle GHG emissions of the equivalent plastics in primary form manufactured from fossil fuel feedstock. Lifecycle GHG emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. Quantified life-cycle GHG emissions are verified by an independent third party. Agricultural biomass used for the manufacture of plastics in its primary form complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used for the manufacture of plastics in its primary form complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive.		
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council326and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Hera confirmed that all the activity under the Framework complies with the criteria set out in Appendix B to the Annex I of the EU supplementary Regulation 2020/852, as the EIA (Environmental Impact Assessment, according to Italian law Valutazione di Impatto Ambientale and Valutazione di Incidenza Ambientale) have been carried out in accordance with Directive 2011/92/EU and include an assessment of the impact on both surface water and groundwater. In addition, Hera confirms the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. (For additional information, please check Hera's Regulatory Framework[48]). Moreover, the relevant water-focused EIA have been completed for the assets related to manufacture of plastics in primary form activity.	Aligned
Pollution prevention and control	The activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant;	Hera confirmed the activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant;	Aligned

[48] Hera Group, "Environment Regulatory context", at: https://eng.gruppohera.it/group_eng/business-activities/environment/regulatory-environment

	(b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. Emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in relevant best available techniques (BAT) conclusions, including: (a) the Best Available Techniques Reference Document (BREF) for the Production of Polymers; (b) the best available techniques (BAT) conclusions for common wastewater and waste gas treatment/management systems in the chemical sector. No significant cross-media effects occur	(b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. Hera confirms that it has conducted the BAT analysis as per law and the emissions to air and water are within or lower than the emission levels (BAT-AEL) ranges. Also, the compliance with relevant BAT is part of the authorization process [49] and the results from the BAT analysis showed that the emissions to air and water are within or lower than the emission levels (BAT-AEL) ranges and confirmed that the waste incineration is not part of this activity. The Group has also confirmed that there are no significant cross-media effects occur.	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

[49] Integrated environmental authorization (AIA), "Integrated environmental authorization - integrated pollution prevention and control", at: https://www.arpae.it/it/attivita-e-servizi/aia-ippc

Table 6

Framework Activity assessed	4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids		
EU Activity	4.13. Manufacture of biogas and biofuels for use in transport and of bioliquids		
NACE Code	D35.21		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	1. Agricultural biomass used for the manufacture of biogas or biofuels for use in transport and for the manufacture of bioliquids complies with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001. Forest biomass used for the manufacture of biogas or biofuels for use in transport and for the manufacture of bioliquids complies with the criteria laid down in Article 29, paragraphs 6 and 7 of that Directive. Food-and feed crops are not used for the manufacture of biofuels for use in transport and for the manufacture of bioliquids. 2. The greenhouse gas emission savings from the manufacture of biofuels and biogas for use in transport and from the manufacture of bioliquids are at least 65 % in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex V to Directive (EU) 2018/2001. 3. Where the manufacture of biogas relies on anaerobic digestion of organic material, the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7 of this Annex, as applicable. 4. Where the CO_2 that otherwise would be emitted from the manufacturing process is captured for the purpose of underground storage, the CO_2 is transported and stored underground in accordance with the technical screening criteria set out in Sections 5.11 and 5.12 of this Annex.	1. Hera confirmed that the input is organic waste sorted from municipal solid waste and other organic waste from agro-food industry (vegetables). Further, the Group confirmed that they do not use agricultural, forestry biomass or food and feed crops to produce biogas or biofuels for transport. 2. The Group confirmed that the GHG emissions savings from the manufacture of biofuels and biogas for use in transport and from the manufacture of bioliquids are above 65% in relation to the GHG saving methodology and the relative fossil fuel comparator set out in Annex V to Directive (EU) 2018/2001. 3. This activity includes manufacturing of biogas through anaerobic digestion of organic material and as per TSC the production of the digestate meets the criteria in Sections 5.6 and criteria 1 and 2 of Section 5.7. The Group has taken following measures across all the plants financed under the Framework activity: • A monitoring and emergency plan is in place to minimize methane leakages in the installation. • The biogas produced is transformed into biomethane to be injected into the natural gas network or, alternatively, it is used as a vehicle fuel. 4. The EU Taxonomy mitigation criteria is not applicable as no carbon capture and storage system is present. Hera confirmed compliance with the criteria laid down in Article 29, paragraphs 2 to 5, of Directive (EU) 2018/2001.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned

Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Hera confirmed that all the plants involved in this activity are equipped with an Operating Authorization ("Unique authorization for new waste disposal and recovery plants") issued by the Competent Authority pursuant to art. 208 of Legislative Decree 152/06 of Italian regulation: during the preliminary investigation its environmental compatibility was assessed. Also, they are subjected to EIA and water risks have been analyzed and addressed accordingly which can be downloaded from Hera's website under the "Authorisations" section: Composting, anaerobic digestion and Biomethane production plant.[50] In addition, Hera confirms the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. (For further information, please check Hera's Regulatory framework)[51].	Aligned
Pollution prevention and control	For biogas production, a gas-tight cover on the digestate storage is applied. 1. For anaerobic digestion plants treating over 100 tonnes per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set for anaerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for waste treatment. No significant cross-media effects occur. 2. In case of anaerobic digestion of organic material, where the produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment, it meets the requirements for fertilising materials set out in Component Material Categories (CMC) 4 and 5 for digestate or CMC 3 for compost, as applicable, in Annex II to Regulation EU 2019/1009 or national rules on fertilisers or soil improvers for agricultural use.	Hera has confirmed that the requirement of the gas-tight cover on the digestate storage is not applicable because the process in its plant does not involve the storage of digestate. 1. The Group confirms that all the plants involved in this activity are equipped with an Operating Authorization ("Unique authorization for new waste disposal and recovery plants") issued by the Competent Authority pursuant to art. 208 of Legislative Decree 152/06 of Italian regulation: during the preliminary investigation its environmental compatibility was assessed, as well as the compliance with the Best Available Techniques (BAT). No significant cross-media effects occur. 2. The fertilizer produced meets the quality standards as requested by the Italian legislative decree 75/2010 and subsequent amendments and additions.	Aligned

[50] HERAmbiente, "Composting, anaerobic digestion and Biomethane production plant in Sant'Agata Bolognese", at: https://ha.gruppohera.it/impianti/compostaggio/impianto_compostaggio_santagata_bolognese
[51] Hera Group, "Environment Regulatory context", at: https://eng.gruppohera.it/group_eng/business-activities/environment/regulatory-environment

Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20	Aligned

Table 7

Framework Activity assessed	5.5. Collection and transport of non-hazardous waste in source segregated fractions		
EU Activity	5.5. Collection and transport of non-hazardous waste in source segregated fractions		
NACE Code	E38.11		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	All separately collected and transported non-hazardous waste that is segregated at source is intended for preparation for reuse or recycling operations.	Hera has confirmed that all separately collected and transported non-hazardous waste that is segregated at source is intended for preparation for reuse or recycling operations. Additionally, transport-related investment are currently excluded from these investments.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Transition to a circular economy	Separately collected waste fractions are not mixed in waste storage and transfer facilities with other waste or materials with different properties.	Hera confirmed that separately collected waste fractions are not mixed in waste storage and transfer facilities with other waste or materials with different properties.	Aligned

Table 8

Framework Activity assessed	5.7. Anaerobic digestion of bio-waste		
EU Activity	5.7. Anaerobic digestion of bio-waste		
NACE Code	E38.21, F42.99		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	1. A monitoring and contingency plan is in place in order to minimise methane leakage at the facility.	1. Hera has a methane leakage monitoring plan in place for all the three plants of the Company (Rimini DRY Plant, Voltana DRY Plant and Cesena DRY Plant). The leakage monitoring plan is integrated with other emergency plans. Moreover, Hera has contingency plans and emergency management procedures	Aligned

	2. The produced biogas is used directly for the generation of electricity or heat or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry. 3. The bio-waste that is used for anaerobic digestion is source segregated and collected separately. 4. The produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment. 5. In the dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock.	that indicate the measures to be taken in case of events such as explosions or gas leaks (torch, engine fire or sealed door failure). In the system, Hera has the control module "M-0614" regarding the daily control rounds, which include the search for possible gas leakages from its the plant (applies to Rimini DRY Plant, Voltana DRY Plant and Cesena DRY Plant). 2. The Group has confirmed that the produced biogas by the three plants is used directly for the generation of electricity or heat. 3. The bio-waste used for anaerobic digestion is source segregated and collected separately is confirmed by the Group. 4. Hera has confirmed that the produced digestate is used as fertilizer. 5. Hera has confirmed that its three bio-waste treatment plants do not use food and feed crops as input feedstock. Hera has also confirmed that for the time being only the three plants mentioned will be included in the Framework. For potential future investments beyond the three plants, the Group commit to complying to the Taxonomy criteria.	
	DNSH Criteria	***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in	In addition, Hera confirms the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. (For further information, please visit Hera's Regulatory Framework) [52] Hera mentioned that its three plants within the Framework activity have had EIAs completed which include water risks and are publicly available under the "Authorizations" section of the website mentioned below. • Cesena anaerobic digestion and composting plant[53] • Rimini anaerobic digestion and composting plant[54] • Voltana (Lugo) anaerobic digestion and composting plant[55]	Aligned

[52] Hera Group, "Environment Regulatory context", at: https://eng.gruppohera.it/group_eng/business-activities/environment/regulatory-environment
[53] HERAmbiente, "Cesena anaerobic digestion and composting plant", at: https://ha.gruppohera.it/plants/composting/cesena_anaerobic_digestion_composting_plant
[54] HERAmbiente, "Rimini anaerobic digestion and composting plant", at: https://ha.gruppohera.it/plants/composting/rimini_anaerobic_digestion_composting_plant
[55] HERAmbiente, "Voltana (Lugo) anaerobic digestion and composting plant", at: https://ha.gruppohera.it/plants/composting/voltana_anaerobic_digestion_composting_plant

	accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Hera has also confirmed that for the time being only the three plants mentioned will be included in the Framework. For potential future investments beyond the three plants, the Group commits to complying to the Taxonomy criteria.	
Pollution prevention and control	For anaerobic digestion plants treating over 100 tonnes per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set for anaerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for waste treatment. No significant cross-media effects occur. The produced digestate meets the requirements for fertilizing materials set out in Component Material Categories (CMC) 4 and 5 for digestate or CMC 3 for compost, as applicable, in Annex II to Regulation (EU) 2019/1009, or national rules on fertilizers or soil improvers for agricultural use. The Nitrogen content (with tolerance level ±25%) of the digestate used as fertiliser or soil improver is communicated to the buyer or the entity in charge of taking off the digestate.	Hera has confirmed that for the three Hera's plants, BAT analysis has been conducted and the emissions to air and water are within or lower than the emission levels (BAT-AEL) ranges. Hera has confirmed that the fertilizer meets the quality standards as requested by the Italian legislative decree 75/2010 and subsequent amendments and additions. The nitrogen content of the digestate used as fertilizer is communicated to the purchaser or the entity in charge of taking off the digestate. Hera has also confirmed that for the time being only the three plants mentioned will be included in the Framework activity. For potential future investments beyond the three plants, the Company commits to complying to the Taxonomy criteria.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 9

Framework Activity assessed	5.8. Composting of bio-waste		
EU Activity	5.8. Composting of bio-waste		
NACE Code	E38.21, F42.99		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	1. The bio-waste that is composted is source segregated and collected separately. 2. The compost produced is used as fertiliser or soil improver and meets the requirements for fertilising materials set out in Component Material Category 3 in Annex II to Regulation (EU)	1. Hera has confirmed that for both Hera's plants (Ozzano plant and Ostellato plant) the composted organic waste is separated by source and collected separately. 2. Hera has confirmed that for both Hera's plants (Ozzano plant and Ostellato plant), the fertilizer meets the quality standards	Aligned

	2019/1009 or national rules on fertilisers or soil improvers for agricultural use.	as requested by the Italian legislative decree 75/2010 and subsequent amendments and additions Hera has also confirmed that for the time being only the two plants mentioned will be included in this Framework activity. For potential future investments beyond the two plants, the Company commit to complying to the Taxonomy criteria.	
	DNSH Criteria	***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Pollution prevention and control	For composting plants treating over 75 tonnes per day, emissions to air and water are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out for aerobic treatment of waste in the latest relevant best available techniques (BAT) conclusions, including the best available techniques (BAT) conclusions for waste treatment. No significant cross-media effects occur. The site has a system in place that prevents leachate reaching groundwater. The compost produced meets the requirements for fertilising materials set out in Component Material Category 3 in Annex II to Regulation (EU) 2019/1009 or national rules on fertilisers or soil improvers for agricultural use.	Both Hera's plants comply with the DNSH since they have a system that prevents leachate from reaching groundwater. The fertilizer meets the quality standards as requested by the Italian legislative decree 75/2010 and subsequent amendments and additions. Hera has confirmed that the BAT analysis has been conducted as requested by law. Compliance with relevant BAT is part of the authorization (see for example Integrated environmental authorization)[56] and the review of authorizations process. From the BAT analysis that has been conducted for aerobic treatment of waste, it has emerged that the emissions are within the emission levels ranges (BAT-AEL). Hera has also confirmed that for the time being only the two plants mentioned will be included in this Framework activity. For potential future investments beyond the two plants, the Company commit to complying to the Taxonomy criteria.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

[56] Integrated environmental authorization (AIA), "Integrated environmental authorization - integrated pollution prevention and control", at: https://www.arpae.it/it/attivita-e-servizi/aia-ippc

Table 10

Framework Activity assessed	6.5. Transport by motorbikes, passenger cars and light commercial vehicles		
EU Activity	6.5. Transport by motorbikes, passenger cars and light commercial vehicles		
NACE Code	H49.32, H49.39 and N77.11		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity complies with the following criteria: (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: i. until 31 December 2025, specific emissions of CO_2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO_2/km (low-and zero-emission light-duty vehicles); ii. from 1 January 2026, specific emissions of CO_2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. (b) for vehicles of category L, the tailpipe CO_2 emissions equal to 0g CO_2e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.	Hera has confirmed that: (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007 i. it owns 14 electric cars emissions with emissions lower than 50gCO_2/km as defined in Article 3(1), point (h), of Regulation (EU) 2019/631 ii. from 1 January 2026 Hera's electric vehicles emissions will be equal to zero as defined in Article 3(1), point (h), of Regulation (EU) 2019/631 (b) Under this Framework, Hera has no vehicles of category L and hence this criterion is not applicable.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Transition to a circular economy	Vehicles of categories M1 and N1 are both of the following: (a) reusable or recyclable to a minimum of 85% by weight; (b) reusable or recoverable to a minimum of 95% by weight. Measures are in place to manage waste both in the use phase (maintenance) and the end-of-life of the fleet, including through reuse and recycling of batteries and electronics (in particular critical raw materials therein), in accordance with the waste hierarchy.	Hera confirmed that the percentages of the two criteria (a) and (b) are met since for the type of vehicles purchased by the Group, also based on the year of production, characteristics such as reusable, recyclable and recoverable % by weight are met according to ETRMA (European Tyre & Rubber manufacturers Association) which stated that "In 2019, 95% of ELTs (end-of-life tyres) were collected and treated for material recycling and energy recovery." During the purchase and procurement stage, Hera makes sure that the suppliers from which it purchases vehicles follow and comply with EU legislation and technical requirements. However, Hera will undertake to ask to the vehicles producer to disclose more information about reusable, recyclable and recoverable %. Hera specified that automotive oil recycling involves the recycling of used oils and the creation of new products from the recycled oils	Aligned

		and includes the recycling of motor oil and hydraulic oil. Hera has adopted measures to manage waste - both in the use phase (maintenance) and the end-of-life of the fleet ensuring that vehicles motor oil and batteries are managed by suppliers and experts specialized in the waste management. Hera Group is unable to provide compliance with Directive 2005/64/EC on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability and hence assessed as partially aligned.	
Pollution prevention and control	(a) Vehicles comply with the requirements of the most recent applicable stage of the Euro 6 light-duty emission type-approval set out in accordance with Regulation (EC) No. 715/2007. (b) Vehicles comply with the emission thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC of the European Parliament and of the Council. (c) For road vehicles of categories M and N, tyres comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the two highest populated classes as set out in Regulation (EU) 2020/740 and as can be verified from the European Product Registry for Energy Labelling (EPREL). (d) Vehicles comply with Regulation (EU) No 540/2014 of the European Parliament and of the Council.	(a) Hera has confirmed that the company's electric vehicles comply with the requirements of the most recent applicable stage of the Euro 6 light-duty emission type-approval set out in accordance with Regulation (EC) No. 715/2007. (b) Hera Group confirms the emission thresholds for clean light-duty vehicles set out in Table 2 of the Annex to Directive 2009/33/EC of the European Parliament and of the Council. (c) Hera has confirmed that the company's electric vehicles are in compliance with the tyres Regulation (EU) 2020/740. (d) Hera Group confirms the alignment with with Regulation (EU) No 540/2014 of the European Parliament and of the Council.	Aligned

Table 11

Framework Activity assessed	4.1. Electricity generation using solar photovoltaic technology		
EU Activity	4.1. Electricity generation using solar photovoltaic technology		
NACE Code	D35.11 and F42.22		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity generates electricity using solar PV technology.	Hera commits to including under the Framework issued bonds investments on electricity generation using solar photovoltaic technology that comply with the requirement of generating electricity.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned

Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	Hera has in place supplier selection mechanisms to ensure that providers of equipment adhere to recyclability and waste management laws. For example, Hera's procurement includes mechanisms that reward the selection of producers and distributors whose equipment has an efficient Levelized Cost of Electricity (high durability). Hera commits to including under the Framework-issued bonds investments in PV electricity production that uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 12

Framework Activity assessed	4.9. Transmission and distribution of electricity		
EU Activity	4.9. Transmission and distribution of electricity		
NACE Code	D35.12, D35.13		
	EU Technical Screening Criteria	***Alignment with Technical Screening Criteria***	
Mitigation	The activity complies with one of the following criteria: 1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: (a) the system is the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; (c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;	1. Hera confirmed that it complies with the following criteria: (a). The EU Taxonomy mitigation criteria is met because the transmission and distribution infrastructure of AcegasApsAmga S.p.A. and INRETE, the two electricity distribution companies of Hera Group, are electricity systems located within an interconnected European system (Italy). Hera confirmed that assets/projects financed under this activity will not be infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life cycle basis. Hera is accountable for the construction and management of medium and low voltage distribution al local level, mainly for the last mile to the citizens, therefore the Company do not create or expand direct connections between substations or network and power production plants.	Aligned

	Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO_2e/kWh measured on a life cycle basis is not compliant. Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant. 2. The activity is one of the following: (a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO2e/kWh measured on a life cycle basis to a substation or network; (b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of this Annex; (c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014178 and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1 (d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; (e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including: i. sensors and measurement tools (including meteorological sensors for forecasting renewable production); ii. communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed). (f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council180, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs;	Hera's activities include the installation of equipment such as, but not limited to, future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs. 2. Hera confirmed that it complies with the following criteria: (c) The EU Taxonomy mitigation criteria is met because the installation of transmission and distribution transformers complies with Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) 548/2014. INRETE complies with the installation of transmission and distribution transformers requirements since the medium voltage network is lower than the threshold of 36 kV with AAA0 level requirements on no-load losses set out in standard EN 50588-1. AcegasApsAmga S.p.A. is aligned with the TSC since its transformers comply with the Tier 2 EN 87 EN (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014. (d) The EU Taxonomy mitigation criteria is met by both companies AcegasApsAmga S.p.A. and INRETE, as their activities include construction/installation and operation of equipment and infrastructure, being the main objective an increase of the generation or use of renewable electricity generation. (e) The EU Taxonomy mitigation criteria is met by INRETE because the activities include the installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources. (f) The EU Taxonomy mitigation criteria is met by AcegasApsAmga S.p.A. and INRETE as their activities include the installation of equipment such as, but not limited to, future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs. Hera has also confirmed that for the time being only the two plants mentioned will be included in this Framework activity. For potential future investments beyond the two plants, the Company commits to complying with the Taxonomy criteria.	

	(g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users; (h) construction and operation of interconnectors		
	DNSH Criteria	***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Transition to a circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	Hera has confirmed that a waste management plan is in place at INRETE and AcegasApsAmga S.p.A., ensuring maximal reuse or recycling at end of life in accordance with the waste hierarchy consistent with legal obligations. An overview of the Waste Management Plan of Hera Group is explained in chapter 3.02 (Transition towards a circular economy, paragraph "Waste management in electricity distribution activities" page 91 - Sustainability Report 2021)[57] Furthermore, the Group has mentioned that every region in Italy has its own Waste Management Plan and Hera's projects and assets related to this activity are subject to Emilia-Romagna, Friuli-Venezia Giulia, Veneto and Marche Waste management Plans. Hera has also confirmed that for the time being only the two plants mentioned will be included in this Framework activity. For potential future investments beyond the two plants, the Group commit to complying to the Taxonomy criteria	Aligned
Pollution prevention and control	Overground high voltage lines: (a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines. (b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP). Activities do not use PCBs polychlorinated biphenyls.	Hera confirmed that this activity will not involve construction or exposure to the overground high-voltage lines. Hera confirmed that PCBs polychlorinated biphenyls are not used for the projects and assets financed under this Activity.	Aligned

[57] Hera Group, "Sustainability Report", (2021), at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799

Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20	Aligned

Table 13

Framework Activity assessed	4.14. Transmission and distribution networks for renewable and low-carbon gases		
EU Activity	4.14. Transmission and distribution networks for renewable and low-carbon gases		
NACE Code	D35.22, F42.21 and H49.50		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	1. The activity consists in one of the following: (a) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low carbon gases; (b) conversion/repurposing of existing natural gas networks to 100% hydrogen; (c) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system; 2. The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.	1. Hera confirmed that this activity of includes "Blending CH_4-H_2 Castelfranco" which consists of the following: (a) construction or operation of new transmission and distribution networks dedicated to hydrogen or other low carbon gases (c) retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system. 2. The Group has confirmed that this activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council326and a water use and protection management plan,	Hera confirms the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. Moreover, the Project is authorized through a "Segnalazione Certificata di Inizio Attività" (Certified Declaration of Start of Activity) and does not involve any water infrastructure, nor does it	Aligned

	developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	have any water consumption of any kind. Therefore, no risks are involved. Hera has mentioned that this criterion is not applicable, since the financing will be extended to "Blending CH_4-H_2 Castelfranco" and water risk assessment is applicable only in contexts where the site of laying pipelines may interfere with watercourses in crossing (bridges or riverbed) or run in parallel. The Group further states that no risk assessments with the aim of achieving good water status and good ecological potential are required by law in the case of conversion, change of destination or upgrading of gas networks for the transmission and distribution of renewable and low-carbon gases.	
Pollution prevention and control	Fans, compressors, pumps and other equipment used which is covered by Directive 2009/125/EC of the European Parliament and of the Council comply, where relevant, with the top-class requirements of the energy label, and with implementing regulations under that Directive and represent the best available technology.	Hera has stated that the construction of fixed installations such as gas cabins, cylinders or other is not envisaged and in general, rotating machines (such as fans and compressors) are not included in gas distribution network. Therefore, this criterion is not applicable.	N/A
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 14

Framework Activity assessed	4.15. District heating/cooling distribution		
EU Activity	4.15. District heating/cooling distribution		
NACE Code	D35.30		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity complies with one of the following criteria: (a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU; (b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41, of Directive 2012/27/EU starts within a three year	Hera confirmed compliance with following activity: (a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU; Hera confirmed that its three Hera plants (Ferrara, Bologna and Forlì) meet the definition of efficient district heating and cooling	Aligned

	period as underpinned by a contractual obligation or an equivalent in case of operators in charge of both generation and the network; (c) the activity is the following: (i) modification to lower temperature regimes; (ii) advanced pilot systems (control and energy management systems, Internet of Things).	systems. Heating/cooling sources are originated for over 80% from Waste to Energy and geothermal energy sources in the case of Ferrara, Waste to Energy for the Bologna plant, and Waste to Energy for Forlì plant. The investment is related to the expansion (i.e., building new pipelines connected to a previously existing network) of the district heating/cooling distribution network and the maintenance of the existing network. In line with the EU Taxonomy regulation, Hera has included only the district heating distribution network and not the generating plants. For potential future investments beyond the three plants, the Company commits to complying to the Taxonomy criteria.	
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Hera confirmed the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. While EIA has not been indicated as mandatory, the distribution network has been analyzed from an environmental risk management analysis, including risks linked to water degradation (e.g., pipeline break with leakages of water content), for the ISO 14001 certification. This analysis was completed for the generation plant and its downstream distribution system. The ERM process identified low-severity risks, which were considered not relevant.	Aligned
Pollution prevention and control	Fans, compressors, pumps and other equipment used which is covered by Directive 2009/125/EC comply, where relevant, with the top-class requirements of the energy label, and otherwise comply with implementing regulations under that Directive and represent the best available technology	Hera mentions that this criterion is not applicable because fans, compressors, pumps, and other equipment covered under the Directive 2009/125/EC are not present in the distribution network (pipelines). The Group has further confirmed that these devices are not included in investment financed under the Framework as it has included only the district heating distribution network and not the generating plants. The pumping system is considered part of the production site. In case they are eventually included, Hera commits	Aligned

		to including in the framework only those distributions systems whose devices are aligned to the requirements of the DNSH.	
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 15

Framework Activity assessed	4.22. Production of heat/cool from geothermal energy		
EU Activity	4.22. Production of heat/cool from geothermal energy		
NACE Code	D35.30		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	1. The life-cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100gCO_2e/kWh. 2. Life-cycle GHG emissions are calculated based on project-specific data, where available, using Commission Recommendation 2013/179/EU or, alternatively, using ISO 14067:2018 or ISO 14064-1:2018. 3. Quantified life-cycle GHG emissions are verified by an independent third party	1. Hera confirmed that its site produces heat/cool from geothermal energy and the life cycle GHG emissions from the generation of heat/cool from geothermal energy are lower than 100gCO_2e/kWh. 2. The Group confirmed that the life cycle GHG emissions are calculated based on project-specific data using ISO 14067:2018. 3. Quantified life cycle GHG emissions are verified by an independent third party (Ergo Srl).	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan,	Hera confirms the compliance with the Consolidated Law on the Environment Italian Legislative Decree no. 152/2006, which covers environmental matters and implements in Italy the European directive 2000/60/CE on water policy. Moreover, its plant has an approved EIA that covers water related risks with no risks been identified.	Aligned

	developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.		
Pollution prevention and control	For the operation of high-enthalpy geothermal energy systems, adequate abatement systems are in place to reduce emission levels in order not to hamper the achievement of air quality limit values set out in Directives 2004/107/EC and 2008/50/EC.	Hera confirmed that its geothermal plant is low enthalpy and not high enthalpy as defined by the criterion. Due to this technical characteristic, this criterion is not applicable.	N/A
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 20		Aligned

Table 16

Framework Activity assessed	7.3. Installation, maintenance and repair of energy efficiency equipment	
EU Activity	7.3. Installation, maintenance and repair of energy efficiency equipment	
NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***
Mitigation	The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation: (a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive);	Hera has confirmed that for lighting, appliances are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369. Hera has confirmed that the measures provided in processes "Energy saving condominium" and "installation of insulation for Public Administration" of Hera respect the minimum requirements set for individual components and systems in the applicable national measures (Legislative Decree n.63/2013) implementing Directive 2010/31/EU. (a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of	Aligned

	(b) replacement of existing windows with new energy efficient windows; (c) replacement of existing external doors with new energy efficient doors; (d) installation and replacement of energy efficient light sources; (e) installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; (f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to this Annex and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.	thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); (b) replacement of existing external doors with new energy efficient doors; (d) installation and replacement of energy efficient light sources;	
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned
Pollution prevention and control	The activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant; (b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation(EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society;	Hera confirmed that it the activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant; (b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of	Aligned

	(g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and after the works, in accordance with national law.	that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. Hera has specified that a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying.	

Table 17

Framework Activity assessed	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		
EU Activity	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		
NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity consists in one of the following individual measures: (a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including. motion and day light control; (b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); (c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity; (d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.	Hera confirmed its activity consists of the following measure: (c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned

Table 18

Framework Activity assessed	7.6. Installation, maintenance and repair of renewable energy technologies		
EU Activity	7.6. Installation, maintenance and repair of renewable energy technologies		
NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
EU Technical Screening Criteria		***Alignment with Technical Screening Criteria***	
Mitigation	The activity consists in one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; (b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; (c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment. (d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; (e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment; (f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; (g) installation, maintenance and repair of high efficiency micro-CHP (combined heat and power) plant; (h) installation, maintenance and repair of heat exchanger/recovery systems.	Hera has confirmed that its activities consist of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; (b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; (f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment.	Aligned
DNSH Criteria		***Alignment with DNSH Criteria***	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 19		Aligned

Appendix 3: Criteria for Do No Significant Harm ("DNSH") to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 19

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	***Alignment with DNSH Criteria***	
The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.[58] The assessment must be proportionate to the scale of the activity and its expected lifespan, such that: • for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections. • for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework. • For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. • For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.	In 2019 Hera started a systematic analysis of climate change-related risks and opportunities according to TCFD recommendations. During the analysis, Hera selected two specific risk scenarios (transitional and physical), to identify risks/opportunities and develop risk mitigation approaches. The aim of the analysis is to identify the potential vulnerabilities to extreme natural events to its business assets, assessing the impact and develop mitigation actions aimed at improving the asset resilience and the recourse to insurance market for the residual risk. Hera performs this analysis based on three time-horizons, consistent with investment lifespan: short term, medium term up to 2030 and long term up to 2050. Hera has performed an analysis of climate change physical risk exposure based on the relevant Representative Concentration Pathways (RCP) – 8.5 scenario, used together with other RCPs scenarios from the IPCC fifth assessment report in order to provide time-dependent projections of atmospheric greenhouse gas concentrations. This scenario represents many climatological physical variables such as temperature and rainfall. Such physical variables and other relevant ones can be estimated in terms of their values and evolution on global scale for specific time horizons and then, by means of so-called downscaling, estimated for regional and local scale. Hera has specified that its business units carry out a risk analysis for adaptation plans to define suitable investments to assure a satisfactory level of adaptation for the business. Such investments are approved during strategic planning process, on a yearly basis, while being financed by the holding company Hera S.p.A. and are monitored during their deployment. As far as some existing	Aligned

[58] The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU's draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

	financed projects are involved, the implementation of adaptation measures has been done with specific reference to electric distribution network in areas subject to extreme climate conditions, putting at risk network functionality. Adaptation investments are put in place in several water distribution districts more exposed to water leakage and scarcity of resource. The approach described in the previous question allows a targeted implementation of specific mitigation/remediation actions, on the basis of additional analyses fine-tuned for a specific asset. Some of the treatment approaches have been also planned and put in place during the course of the current strategic plan, in addition to what has been done throughout previous years. On the adaptation side, Hera is increasing the resilience of its networks and services, with relevant initiatives spanning from the integration and increase of water resources and interconnections, water leakage high tech detection, new draining and water treatment system (for example for the city of Rimini), to electric distribution network strengthening to endure worsening extreme events. A relevant part of investments of the Hera strategic plan is aimed at improving resilience to climate change physical risks. (For further information, please refer to the public document "Hera for climate" in its Sustainability Report 2021[59] and to the financial statement of Hera Group page 42 "Risk Factors: Actors, Methodology And Areas Of Management" in its Annual Report 2021[60]). Adaptation solutions are set in such a way to privilege Hera Group's carbon footprint with emission reduction targets in place validated by the Science Based Target Initiative and implemented using the Best Available Technologies. Moreover, specific relevant initiatives are assessed and designed with the involvement of local communities to understand and address their concerns and local public institutions to integrate their proposal and expectations in the final blueprint. Environmental impact analysis is performed for every investment to prevent any potential harm to the environment, communities and third-party interests related to environmental aspects. The Group has introduced sustainability in its CSV framework to guide the Group's strategy and operating processes toward addressing the call to action set by the UN Global Agenda. The Group has analyzed policies such as the EU Strategy on adaptation to climate change (2021), the Italian National Strategy on adaptation to climate change, the "Programma di mandato	

[59] Hera Group, "Sustainability Report", (2021), at: https://eng.gruppohera.it/documents/1514726/0/Sustainability+Report+2021+-+NFS.pdf/3e255d06-7a98-556d-8bd3-f6e27bd8da82?t=1649233469799
[60] Hera Group, "Consolidated Financial Statement", (2021), at: https://eng.gruppohera.it/documents/1514726/0/Hera+Group+Consolidated+financial+statement+2021.pdf/18c3ea2c-1298-7807-8a93-07445e5d8c7c?t=1649343117505

	2020-25 Regione Emilia-Romagna", a regional document that includes an entire section dedicated to the adaptation to climate change, and the Delibera 500/2020/R/eel which relates interventions to increase the resilience of electricity distribution networks to help implement its climate adaptation solution. Hera has confirmed that adaptation plans will be implemented for all projects financed under the Framework and commits to implementing identified adaptation solutions within five years from the start of the activity.	

Table 20

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
DNSH Criteria	***Alignment with DNSH Criteria***	
• An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.	All eligible projects will be based in Italy. Therefore, for all applicable projects an Environmental Impact Assessment (EIA) will be conducted in accordance with the Legislative Decree 152/2006 and subsequent amendments and additions (Environment Consolidation Act or Environment Code), that implement the Directive 2011/92/EU as amended by 2014/52/EU. Even if in some cases an EIA is not strictly required, the works related to the investments are nonetheless subject to permissions from other national regulations. According to the legislation, once the impacts have been assessed, specific mitigation measures are identified, where necessary, to reduce their significance and, if necessary, to implement appropriate compensatory measures. In Hera's Sustainability Report the main Environmental Impact Assessments presented during the year are publicly disclosed on an annual basis. Furthermore, Herambiente has a section of its website where EIA related to its plants are published.[61] According to the legislation, if the project is located within or near sites of Community interest (sites belonging to the Natura 2000 Network), special assessments are planned to analyse the significance of the interference that the planned works/activities	Aligned

[61] HERAmbiente, "Installations", at: https://ha.gruppohera.it/impianti/

	could have on these sites. Substantially all of Hera's investments will not be located is in or near a recognized biodiversity area.	

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hera Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hera Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 29, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating

☐ Other *(please specify)*:

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

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The eligible categories for the use of proceeds – Sustainable Water and Wastewater Management, Circular Economy and Pollution Prevention and Control, and Energy Efficiency and Energy Infrastructure – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7 and 9

Use of proceeds categories as per GBP:

☐	Renewable energy	☒	Energy efficiency
☒	Pollution prevention and control	☐	Environmentally sustainable management of living natural resources and land use
☐	Terrestrial and aquatic biodiversity conservation	☐	Clean transportation
☒	Sustainable water and wastewater management	☐	Climate change adaptation
☐	Eco-efficient and/or circular economy adapted products, production technologies and processes	☐	Green buildings
☐	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP	☐	Other *(please specify)*:

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Hera's Group CFO, the Finance Department in collaboration with the Shared Value and Sustainability Director are responsible for overseeing the evaluation and selection of eligible projects. Hera's internal process of assessing, identifying and mitigating environmental and social risks is applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process in line with market practice.

Evaluation and selection

☐	Credentials on the issuer's environmental sustainability objectives	☒	Documented process to determine that projects fit within defined categories
☒	Defined and transparent criteria for projects eligible for Green Bond proceeds	☒	Documented process to identify and manage potential ESG risks associated with the project
☐	Summary criteria for project evaluation and selection publicly available	☐	Other *(please specify):*

Information on Responsibilities and Accountability

☐ Evaluation / Selection criteria subject to external advice or verification

☒ In-house assessment

☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Hera Group's Finance Department, in collaboration with the Shared Value and Sustainability Department, will monitor and track the allocation of proceeds by using an internal tracking system. Hera Group commits to fully allocate net proceeds within 24 months of issuance. Unallocated proceeds will be temporarily invested in cash or other liquid marketable instruments. This is in line with market practice.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☐ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

Hera Group intends to report on allocation of proceeds in the Group's Sustainability Report on an annual basis until full allocation. In addition, Hera Group is committed to reporting on relevant impact metrics. Sustainalytics views Hera Group's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☒ Other *(please specify):*

- *The balance of unallocated proceeds invested in cash or other liquid marketable instruments, if any;*
- *The proportion of net proceeds used for financing versus refinancing*
- *The proportion of net proceeds by project type (capital expenditures, operating expenditures etc)*
- *The proportion of Eligible Green Projects that are EU Taxonomy aligned*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify):

Project Category	Example Impact Indicators
Energy efficiency and energy infrastructure	• Energy saved (toe) • GHG emission avoided (tCO_2e) • Reduction in CO_2 emissions compared to 2019 with SBTi calculation method (Scope 1+2+3 sale of electricity and gas downstream) (%) • Number of events of interruption by client (n) • Installed Smart meters (n) • Served Citizens/Points of grid distribution (POD, PDR) • Biomethane produced by OFMSW (million m^3)
Circular economy & pollution prevention and control	• Recycled plastic sold (ton) • GHG emission avoided (tCO_2e)

	• Separated/Sorted collection of waste (%) • Waste sent for the recovery of material (%) • Reusable treated waste water (% of total treated waste water)
Sustainable water and wastewater management	• Served citizens (n) • Water fed in the network by source (mc) • Annual volume of wastewater treated (mc) • Reduction rate of internal water consumption compared to 2017 (%) • Quality of the wastewater in compliance with regulatory limits (%) • Urban areas compliant with law regarding waste-water treatment (%)

Frequency

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report ☒ Information published in sustainability report

☐ Information published in ad hoc documents ☐ Other (please specify):

☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion) ☐ Certification

☐ Verification / Audit ☐ Rating

☐ Other *(please specify)*:

Review provider(s): Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's

overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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