

GREEN FINANCING FRAMEWORK



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Introduction

About Hera

The Hera Group (“Hera”, the “Group”) is one of the major multi-utility companies listed in Italy. It offers the sustainable management of several regulated public services in the area of Energy (electricity and gas distribution and sales, district heating, public lighting and energy efficiency services), Water (aqueduct, sewerage and purification), and Environmental services (waste collection, recycling and treatment, environmental reclamation) to over 4.2 million citizens in 316 municipalities spread over five Italian regions (Emilia-Romagna, Veneto, Friuli-Venezia Giulia, Marche and Tuscany).

The Group’s subsidiary AresGas is also present in Bulgaria where it provides methane gas distribution and sales services, and electricity sales to about 29 thousand customers, as well in other European countries where its plastic recycling plants are located.

Hera’s goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve its goal through the development of an original corporate model that is able to innovate and build strong links with the areas in which it operates, while preserving the local environment.

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

In addition to offering quality energy, water and waste management services, Hera’s mission is to create “Shared Value” with its stakeholders, i.e. economic value for the company and at the same time, for the community and the areas served, with public priorities as guiding principles.

Sustainable Strategy & Shared Value

Sustainability has always been one of the cornerstones of the Group’s strategy, perfectly integrated and relevant to all operating areas. As a fundamental aspect of Hera’s identity, the concept of corporate purpose was introduced in Hera’s Articles of Association by the Shareholders Meeting in April 2021, focusing on the creation of shared value:

“The Company’s business model aims at creating long-term value for its shareholders through the creation of a shared value with its stakeholders. For this purpose, the Company organises and carries out its business activities also in order to promote social equity and contribute to achieving carbon neutrality, the regeneration of resources and the resilience of the services system managed for the benefit of customers, the ecosystem of its territory and future generations.”

The Articles of Association thus updated – in line with Borsa Italiana’s new Corporate Governance Code and best practices at European level – allow the Hera Group to further strengthen its commitment to sustainability.

The Group’s strategy is set out in Hera’s 2024-2028 Business Plan which confirms the objective of creating sustainable value to the benefit of all stakeholders through the development of a balanced business portfolio, creating resilient industrial assets even in a scenario characterised by continuous volatility and an increasing frequency of extreme weather events linked to climate change.

By 2028, 66% of EBITDA will be based on “shared value”, that is involving projects that meet the objectives of the UN’s Global Agenda. To reach this objective, an investment plan has been approved for 2024-2028 coming to 4.6 billion euros, 77% of which is dedicated to investment projects falling under the areas of shared value creation and in line with the UN Sustainable Development Goals (SDGs). More concretely, the main investments are linked to the maintenance and resilience of electricity, gas and aqueduct distribution networks, management of the integrated water service, dissemination of innovative technologies linked to the energy transition and digital transformation, and projects for the transition towards a circular economy. Furthermore, Hera has set the target of reaching 70% of EBITDA generated from shared value activities by 2030.

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

Creating Shared Value is the new perspective that integrates Hera’s strategic approach to corporate social responsibility (CSR) and sustainability. It stems from a path started in 2016 and is Hera’s way of generating economic value for the company and, at the same time, producing a positive impact on society and the environment, considering global priorities. Since 2016, the Hera Group’s approach has therefore embraced activities and projects that:

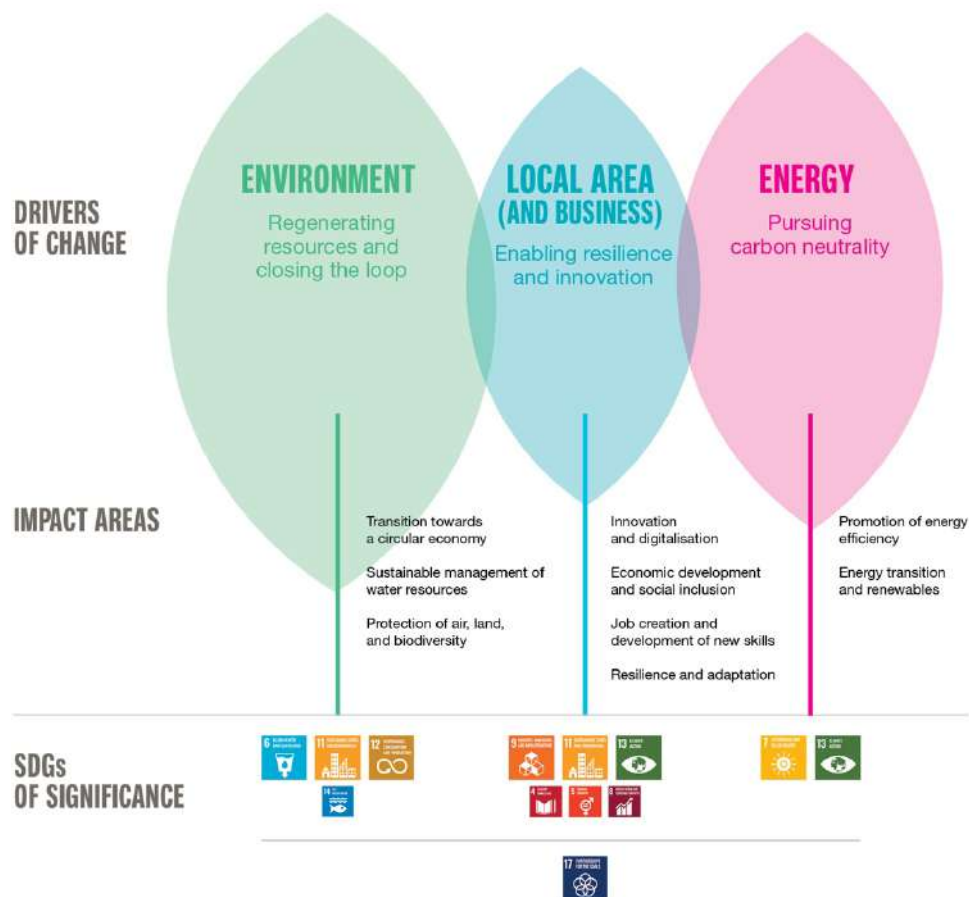
- improve its environmental and social sustainability performances mainly related to the businesses it manages (also, but not exclusively, in relation to the law and sector regulations) (CSR); and
- generate operating margins that are consistent with the UN SDGs identified as priorities by Hera (CSV).

The CSV framework is periodically reviewed and updated according to new and emerging global challenges. The CSV framework is composed of three drivers:

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

For each driver of Shared Value, Hera has determined several key indicators and associated targets to reach by 2028. Key indicators are annually publicly reported¹ and thus enable the Group to properly and transparently track the progress and commitments to local communities. Starting from 2019, the measurement of the "shared value" EBITDA is also verified by the independent auditors that verify the consolidated sustainability statement. The calculation methodology includes specific criteria that analyse the businesses we operate, consistently with the drivers we have identified, and the impact areas to create shared value.

The areas for creation of shared value for Hera: the drivers of change, the impact areas and the UN global agenda 2030 goals of interest to Hera



The three drivers of change and the relevant impact areas identified for each driver (see above chart) are linked to the 11 UN SDGs to which the Group contributes, seven of which are identified as priorities. The priority SDGs for the Hera Group are goals that are more directly related to its business activities and on which the Group has a direct impact, including goal 6, clean water and sanitation; goal 7, affordable and clean energy; goal 9, industry, innovation and infrastructure; goal 11, sustainable cities and communities; goal 12, responsible consumption and production; goal 13, climate action; goal 17, partnerships for the goals. Goal 17 is one of the priority SDGs, since partnerships are essential to achieve the important sustainability goals set. Other important SDGs are as follows: goal 4, quality education; goal 5, gender equality; goal 8, decent work and economic growth; goal 14, life below water.

¹ [Report on creating shared value 2024](#)

Key indicators of shared value

SHARED VALUE CREATION



Shared-value
Ebitda

PURSuing CARBON NEUTRALITY



Energy transition
and renewables



Climate change
mitigation

REGENERATING RESOURCES AND CLOSING THE LOOP



Transition towards
a circular economy



Sustainable
management of
water resources

ENABLING RESILIENCE AND INNOVATION



Creating jobs
and development
of new skills



Resilience
and adjustment



2023

2024

2028

Shared-value Ebitda
(% of total Ebitda)

52%

54%

66%

Renewable electricity sold to free market customers*
(% of total volumes sold to free market)

43%

49%

58%

Renewable gases produced
(GWh)

80.6

95.4

147

Installed photovoltaic capacity
(owned, sold and at third parties) (MW)

18.4

19.1

300

Reduction in greenhouse gas emissions compared to 2019 with SBTi calculation methodology (%)**

-14%

-14%

-32%

Separate waste collection
(%)

72%

74%

78%

Plastic recycled by Aliplast
(thousands of tons)

84.6

83.9

158

Purified wastewater reusable/reused***
(% of total purified wastewater)

10%

12%

14%

Water users served in areas with Water safety plans
(% of total users served by aqueduct)

66%

76%

100%

Employees with digital transition skills
(% of total company population)

56%

63%

80%

Employees with energy transition skills
(% of total company population)

36%

46%

56%

Employees with environmental transition skills
(% of total company population)

32%

47%

56%

Distriacted aqueduct network
(%)

42%

47%

89%

Aqueduct network with predictive maintenance
(%)

78%

85%

99%

* Final figure for previous year has been updated based on the latest Gse data available at the time of preparation of this report. Data do not include Aresgas.

** Final figure for Scope 3 - methane gas sales does not consider transitory increases in volumes connected to gas services in the last resort market.

*** Water reused within the Group or in plants outside the Group and reusable indirectly for irrigation purposes in compliance of Legislative Decree 152/06.

Hera's long-term strategy to achieve Net Zero

Climate change is one the greatest challenge our society must face. As a multi-utility company, Hera is committed to play a fundamental role, which is in line with the Group's purpose to create shared value.

Since 2017, Hera has been reporting on the Group's Scope 1, 2 and 3 greenhouse gases (GHG) emissions and on helping to achieve the Paris Agreement objectives. In 2020, the reporting further expanded when Hera adopted the Task force on Climate-related Financial Disclosures (TCFD) Recommendations, allowing the Group to test business resilience under different climate scenarios and to understand risks and opportunities.

In 2021, Hera achieved a new milestone when its ambition on GHG emissions reduction targets was validated by the Science Based Targets initiative (SBTi) to align to a Well-Below 2°C scenario, as following:




- Scope 1 & 2: absolute reduction of 28% by 2030 compared to 2019;
- Scope 3 methane gas sales: absolute reduction of 30% by 2030 compared to 2019;
- Scope 3 electricity sales: reduction of the carbon intensity from sales (tCO₂ e/MWh) by 50% by 2030 compared to 2019.

Based on these targets, the overall reduction in absolute GHG emissions by 2030 for the boundary defined comes to -37% compared to 2019, that will be achieved thanks to emission reduction initiatives implemented by Hera and to the evolution of the external context and the energy scenario taken as reference for the definition of the targets (e.g. decarbonisation in power generation, increase in energy efficiency, penetration of green gases within the energy mix, etc).

In 2024, Hera established a Climate Transition plan, adopting a long-term vision, and committed itself to achieving **Net Zero emissions by 2050**, meaning reducing Scope 1, 2 and 3 GHG emissions by around 90% compared to 2019 and neutralising all residual emissions at the end of the path towards decarbonisation.



Climate transition plan: decarbonization levers

 Hera	 Customers	 Territory
Development of district heating <ul style="list-style-type: none"> • System optimisation, new interconnections and geothermal power enhancement to reduce fossil fuels by 2030. • Further plant modernisation and efficiency upgrades by 2050. 	Sale of “green” electricity and gas <ul style="list-style-type: none"> • More than 50% of renewable electricity sold by 2030 and more than 75% by 2050. • Sale of methane gas with emission offsetting through certified carbon credits. • Contracts with at least one energy efficiency solution: 43% by 2030. 	Sustainable energy for industries, residential buildings and public administrations <ul style="list-style-type: none"> • Energy efficiency services and requalification of buildings. • Installation and operation of photovoltaic and co/trigeneration plants. • Increased volumes served by district heating.
Decarbonization of internal energy consumption <ul style="list-style-type: none"> • Energy efficiency and plant optimisation. • Renewable electricity for 100% of internal consumption. 	Sale of photovoltaic plants for households and businesses	Efficient and renewable energy public lighting
Reduction of waste-to-energy emissions <p>Study and implementation of CO₂ capture and storage systems.</p>	Development of renewable energy communities	Development of photovoltaic systems <ul style="list-style-type: none"> • Installation on landfills and water cycle plants. • Construction of agrivoltaic plants and Energy parks.
Reduction of gas network leaks <p>Initiatives to reduce fugitive emissions, including using artificial intelligence algorithms in programmed searches.</p>		Production of renewable gases <p>200 GWh produced by 2030:</p> <ul style="list-style-type: none"> • biomethane production from organic waste and power-to-methane plants. • development of hydrogen as an energy carrier.
Sustainable corporate vehicle fleet <p>Replacing vehicles with lower - or zero-emission alternatives.</p>		Development of smart grids <p>Initiatives to support the electrification of consumption and the capacity of the networks to manage energy from renewable sources.</p>
		Actions of circular economy <p>Promotion and development of sorted waste collection and commitments on plastic recycling.</p>
		Development of electric mobility

Hera's transition towards a circular economy

Hera aims at positively contributing to the development of circular economy, and above all on the “efficient use of resources”, which have been among the Group's strategic pillars for years and represent one of Hera's shared value creation areas. Across all businesses, Hera intends to either adopt circular models or to minimize the exploitation of resources, which are mainly water, soil and raw materials.

In the **environmental area**, Hera aims to go beyond simple waste treatment and disposal by expanding sorted waste collection, reducing landfill use, and boosting recycling and recovery through citizen engagement campaigns, local partnerships, and innovative projects, including plastics recycling and the conversion of waste into biofuels and biomethane. In the **networks area**, the Group invests in advanced solutions such as Power-to-Gas technology for converting renewable electricity into synthetic natural gas, the reuse of sewage by-products, the reduction of water waste, and renewable-powered district heating. In the **water sector**, Hera advances wastewater reuse through agreements with local consortia and emphasizes material recovery, especially sewage sludge.

Hera has established related objectives and commitments to be achieved in 2028 among which are:

- 14.4% of reusable/reused wastewater;
- 78% of sorted waste collection, thanks to engagement of residents and businesses;
- 68% packaging recycling rate, higher than the EU 2030 targets;
- +145% recycled plastic by Aliplast, compared to 2017 (by 2030);
- -26.2% internal water consumption compared to 2020.

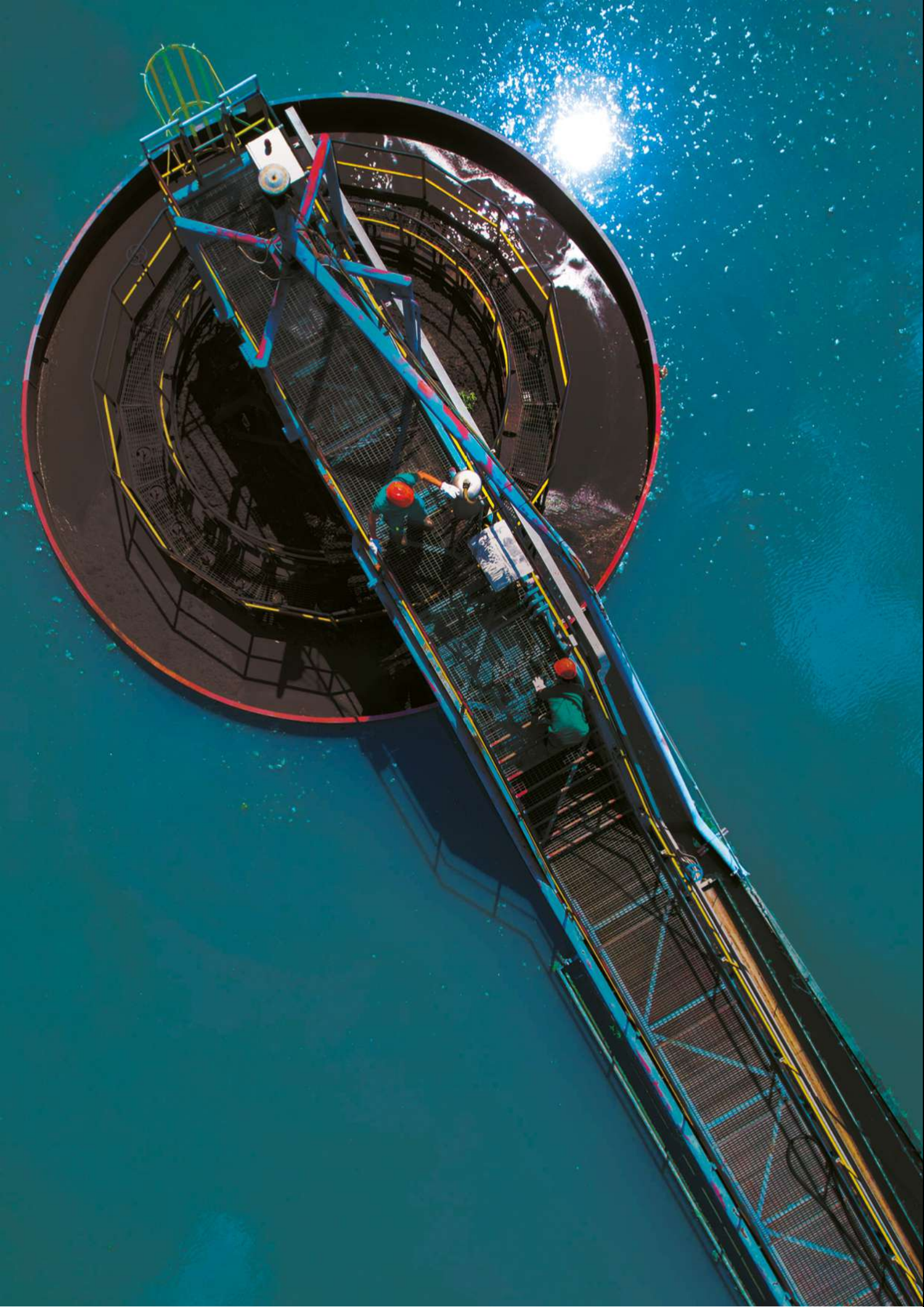
Together, these initiatives position Hera as a driver of circular models that align with EU targets while creating shared value.



Hera's commitment to sustainability in national and international networks

- Hera Group has long embraced sustainability as a core strategic pillar, aligning its operations with the principles of the United Nations Global Compact, which it joined in 2004. In July 2017, Hera became a founding member of the Global Compact Network Italia Foundation and is a signatory of the Manifesto "Business for People and Society," promoted by the same Foundation. These affiliations reflect Hera's dedication to advancing responsible business practices and contributing to sustainable development goals.
- Within the framework of the Global Compact, Hera also joined the CEO Water Mandate, a specialized initiative aimed at promoting sustainable water resource management. This commitment underscores the Group's leadership in integrated water service management and its role in building smart, sustainable cities.
- Hera's sustainability strategy is further reinforced through its participation in national and international networks that promote circularity and innovation. The Group is a member of ICESP (Italian Circular Economy Stakeholder Platform) and the Alliance for the Circular Economy, which bring together key Italian organizations to foster circular business models and collaborative initiatives.
- In 2018, Hera became the first Italian company to be recognized by the Leading Utilities of the World, a global network of the most successful and innovative water and wastewater utilities. This recognition highlights Hera's commitment to excellence, innovation, and knowledge sharing in the utility sector.
- Hera has also actively contributed to the New Plastics Economy Global Commitment, an initiative launched by the Ellen MacArthur Foundation to accelerate the transition to a circular plastics economy. The Group joined the first edition of the Commitment in 2018 and consistently reported progress for three consecutive years. Looking ahead, Hera has reaffirmed its commitment by joining the new edition of the Global Commitment (2025–2030), through its subsidiary Aliplast, further strengthening its role in driving circularity in the plastics sector.





Green Financing Framework

Rationale for the establishment of a Green Financing Framework

Through this Green Financing Framework (the “Framework”), Hera Group’s objective is to align its financial instruments with its sustainability strategy and commitments in line with the UN’s 2030 Global Agenda and the Paris Agreement. The Group also plans to use this Framework as a tool to direct financial flows towards the financing of the energy transition, sustainable water and waste infrastructures and the circular economy. This Framework has been drafted in alignment with the Green Bond Principles (“GBP”) 2025 administered by the International Capital Market Association (the “ICMA”)², and the Green Loan Principles (“GLP”) 2025 administered by the Loan Market Association (the “LMA”)³.

Furthermore, the present Framework has been drafted in alignment with the Regulation that establishes the EU Taxonomy (EU 2020/852), the EU Taxonomy Delegated Acts on climate change mitigation and adaptation (EU 2021/2139)⁴ and the EU Taxonomy Delegated Acts on the other four environmental objectives (EU 2023/2486)⁵.

This Framework is designed as an umbrella platform allowing the Hera Group to assume various types of green financing instruments:

1. Green Bonds (including public and private format debt), including Blue Bonds;
2. Green Loans (including but not limited to Term Loans, Project Finance Loans, Asset Finance Loans and Revolving Credit Facilities (RCF)), including Blue Loans;

together in this document referred to as the “Green Financing Instruments”.

All Green Financing Instruments shall comply with the provisions set out in this Framework.

Blue instruments issued under this Framework will also align to the Guidelines for Blue Finance Version 2.0 published in September 2025 by the International Finance Corporation (IFC).

² Green Bond Principles June 2025: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2025-updates/Green-Bond-Principles-GBP-June-2025.pdf>

³ Green Loan Principles, March 2025: <https://www.lsta.org/content/green-loan-principles/>

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2178>

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486>

The update to the Green Financing Framework showcases Hera's continuous commitment to sustainability, most recent markets standards and legal reporting requirements. Hera aims at aligning its Green Financing Framework, on a best-effort basis, with the European Union's evolving sustainable finance regulation, including the EU Green Bond Standards (Regulation EU 2023/2631), enabling the issuances of European Green Bonds (EuGBs).

This Framework may be updated from time to time, and any such update will apply to any outstanding Green Finance Instrument issued by Hera following the date of publication of the updated Framework.

Use of Proceeds

An amount equivalent to the proceeds from the issuance/incurrence of Green Financing Instruments will be used by Hera exclusively to finance and/or refinance, in whole or in part, new and existing green and/or blue projects carried out by Hera directly and/or indirectly through Hera's subsidiaries (collectively "Eligible Green Projects").

For any avoidance of doubt, Blue Bonds and Blue Loans are instruments for which the proceeds will be exclusively used to finance and/or refinance, in whole or in part, new and existing eligible blue projects listed in the sustainable water and wastewater management project category, in line with the International Finance Corporation ("IFC") Guidelines for Blue Finance (2025), and identified in the Use of Proceeds table below with a "💧" mark. Eligible blue projects are recognised as a subset of the Eligible Green Projects, focused on sustainable water and wastewater activities.

Hera considers as Eligible Green Projects those investments and expenditures in projects and assets that comply with the requirements of the EU Taxonomy Regulation (EU) 2020/852 and, in particular, with the technical screening criteria for eligible economic activities under:

- The Climate Delegated Acts, Delegated Acts (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852⁶, covering the Climate Change Mitigation and Climate Change Adaptation objectives;
- The Environmental Delegated Acts, Delegated Regulation (EU) 2023/2486 of 27 June 2023⁷, covering Sustainable Use and Protection of Water and Marine

⁶ Annex I of the delegated acts (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation [...] and for determining whether that economic activity causes no significant harm to any of the other environmental objectives

⁷ Delegated Regulation (EU) 2023/2486 of June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities

resources, Transition to a Circular Economy, Pollution Prevention and Control, and Protection and Restoration of Biodiversity and Ecosystems objectives.

Hera's evaluation of each project determines the alignment with relevant criteria of the EU Taxonomy. The investments listed in this Framework are compliant with the Substantial Contribution (SC) criteria for the relevant sustainable objectives, "Do No Significant Harm" (DNSH) criteria of any of the other environmental objectives and meet the Minimum Safeguards (MS). A full assessment of the Framework's alignment with the EU Taxonomy is included in the Second Party Opinion provided by S&P, and available on Hera's website.

All Hera Group's business sector and subsidiaries follow the same EU Taxonomy methodologies and procedures that are coordinated at group level by CFO and Shared value and Sustainability Director.

Categories of Eligible Green Projects	EU economic activities	EU environmental objectives	UN SDGs
Sustainable water and wastewater management	<p>5.1 - Construction, extension and operation of water collection, treatment and supply systems</p> <p>5.3 - Construction, extension and operation of waste water collection and treatment</p>	Climate change mitigation	<p>6 CLEAN WATER AND SANITATION</p> <p>14 LIFE BELOW WATER</p> <p>13 CLIMATE ACTION</p>
Circular Economy & Pollution prevention and control	<p>3.17 - Manufacture of plastics in primary form</p> <p>4.13 - Manufacture of biogas and biofuels for use in transport and of bioliquids</p> <p>5.5 - Collection and transport of non-hazardous waste in source segregated fractions</p> <p>5.7 - Anaerobic digestion of bio-waste</p> <p>5.8 - Composting of bio-waste</p>	Climate change mitigation	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>13 CLIMATE ACTION</p>
	1.1 – Manufacture of plastic packaging goods	Transition to a circular economy	
Energy Efficiency and Energy Infrastructure	<p>4.1 - Electricity generation using solar photovoltaic technology</p> <p>4.9 - Transmission and Distribution of Electricity</p> <p>4.14 - Transmission and distribution networks for renewable and low-carbon gases</p> <p>4.15 - District Heating/Cooling distribution</p> <p>4.22 - Production of heat/cool from geothermal energy</p> <p>7.3 - Installation, maintenance and repair of energy efficiency equipment</p> <p>7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings</p> <p>7.6 - Installation, maintenance and repair of renewable energy technologies</p>	Climate change mitigation	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>13 CLIMATE ACTION</p>

Eligible Green Projects may include capital expenditures, operating expenditures related to improvement and maintenance of Eligible Green Projects, research and development expenses, as well as merger and acquisitions of pure player companies specialized⁸ in any of the above eligible categories.

Eligible Green Projects may include new, on-going or existing projects. Proceeds can refinance operating expenditures incurred no more than 24 months before the issuance/assumption of each Green Financing Instrument; no look-back period is applied for capital expenditures.

Process for Project Evaluation and Selection

Hera has an internal procedure for the management of Green Financing Instruments and the related Eligible Green Projects.

Each year, until the full allocation of the Green Financing Instruments proceeds, the Group CFO, the Finance Department, in collaboration with the Shared value and Sustainability Director, review and validate the pool of the Eligible Green Projects. This process considers the EU Taxonomy-aligned activities of the Hera Group, as required in the Use of Proceeds section, ensuring that updated information on the EU Taxonomy alignment is reflected in a timely manner. The Eligible Green Projects are evaluated and selected following a detailed procedure. In particular, Eligible Green Projects:

- a) comply with the requirements set in the Use of Proceeds section of the Framework, and especially with the Technical Screening Criteria set in the EU Taxonomy Regulation including Substantial Contribution, DNSH and MS criteria;
- b) adhere to Hera's internal policies, procedures and external standards.

The Group CFO, the Finance Department, in collaboration with the Shared value and Sustainability Director are responsible for:

- reviewing the content of Hera's Green Financing Framework and updating it to reflect material changes in corporate strategy, market, or regulatory developments on a best effort basis;
- updating external documents such as the Second Party Opinion (SPO); and
- obtaining the external verification of the Green Bond Report.

Hera's procedure entails also the involvement of the Ethics and Sustainability Committee. The Ethics and Sustainability Committee is composed of four members:

⁸ Pure player companies are defined as companies which derive 90% or more of their revenues from activities falling in any of the above Eligible Green Project Categories, or 90% or more of their assets is aligned with any of the above Eligible Green Categories.

- two independent, non-executive directors;
- the Shared value and Sustainability Director; and
- an external member with expertise in social responsibility and sustainability.

More in detail, the Ethics and Sustainability Committee each year, until the full allocation of the Green Financing Instruments proceeds, will examine the pool of the Eligible Green Projects, the allocation report and the impact report (all together “Green Bond Report”).

ESG Risk Management

Hera has adopted the Enterprise Risk Management (ERM) methodology to manage risks while balancing effectiveness, profitability, and sustainability across its value chain. Risk appetite is governed by clear policies, measurement methods, and monitoring processes, with oversight from top management, the Risk Committee, and the Control and Risk Committee. The Group maintains a prudent, low-risk profile, with annual reviews of its risk model and regular reporting to the Board of Directors. In 2025, Hera further strengthened this framework by integrating ESG factors into its ERM, to facilitate the identification of environmental, social and governance (ESG) risks, which is also used as an input to the double materiality analysis.

Hera has a comprehensive set of corporate policies, frameworks and commitments, referencing international standards and applicable laws, that ensure a stringent management of any potential ESG negative risks that could arise.

Environmental risks. The ERM analysis, which has the primary objective of identifying significant risks in the time horizon of the Business Plan (medium term), is integrated with a long-term analysis for risks related to climate change, extending the time horizon for the identification, prioritisation and assessment of the impacts and management methods of the relevant scenarios, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In this context, measures for physical and transition risks, which are all aligned with EU strategies and the UN 2030 Agenda, are integrated into investments and in Hera’s Business Plan, with the aim to drive both the energy transition toward carbon neutrality and the shift to a circular economy.

Hera manages and mitigates environmental impacts and potential impacts on natural areas and biodiversity in full accordance with European and national regulations, with particular emphasis on the application of Impact Assessment (VINCA) Protocols and compliance with Ministerial and Regional Guidelines. In addition, Hera implements continuous monitoring measures, where necessary, to ensure that its operations are not likely to compromise ecosystem balances, using control and management tools to prevent impacts and/or adverse interference on nature and habitats of conservation interest.

Social & Human risks. Hera is committed to respecting human rights, guided by its Code of Ethics and related public commitments⁹. The Code of Ethic is the foundation of this commitment, aligning Group practices with key international standards,

⁹ [Hera's stakeholders - Hera Group](#)

including the International Labour Organisation (ILO) Declaration and Conventions, the UN International Bill of Human Rights, the OECD Guidelines for Multinational Enterprises, and the EU Charter of Fundamental Rights.

To safeguard rights across its operations and supply chain, Hera has implemented a due diligence process to identify risks, apply corrective measures, and monitor their effectiveness. Several processes are implemented in order to assess and monitor risks: the Group ERM framework, risk assessments on the supply chain, Health and Safety assessments on Group workers and harassment risk assessments, among others. Hera takes steps to stop, prevent and mitigate these risks through structured and time-consolidated procedures and processes, and implement remedial actions where possible. The Group also relies on its Articles of Association, shared value creation model, and sustainability policies to manage risks affecting workers. Suppliers are required to comply with the Code of Conduct – Supplier Sustainability Agreement¹⁰ as part of their qualification and contractual processes, ensuring responsible labour practices throughout the value chain. The Code of Ethics is reviewed every three years through a participatory process, with the latest edition approved by the Board of Directors in February 2023 and published on the company website.

Governance and Business Conduct risks. Hera promotes integrity and transparency through its organisational model, applying a clear “zero tolerance” approach to corruption and fraud, reflected in the Code of Ethics and the Anti-Bribery and Corruption Model. This framework is further supported by sustainability policies, audits, training, and a whistleblowing system, complemented by a Group-wide Prevention Model that defines principles, responsibilities, and procedures to effectively prevent, detect, and address corruption and fraud. A Group Tax Control Framework ensures the effective identification, assessment, and management of tax risks. The values expressed in Hera’s tax strategy and Group Tax Control Framework are inspired and consistent with the Group’s Code of Ethics and guide business operations, providing specific guidelines implemented in the execution of its strategic objectives. Oversight is guaranteed by the Board of Directors, which reviews progress annually and takes final decisions on cases with the highest risk profile. Finally, the Code of Ethics ensures Hera’s alignment with competition law and fair business practices.

Management of Proceeds

The proceeds from each Green Financing Instrument will be deposited in Hera’s general account and an amount equal to such proceeds will be earmarked for allocation to the Eligible Green Projects.

Hera implements investments aligned to the EU Taxonomy to improve and facilitate the transition to greener gas or hydrogen in the distribution business close to the citizens such as smart grid and smart meters (thus excluding gas generation and production).

Hera undertakes to comply with the best market standards of allocation. Hera will make sure that the expenditures meant for both the retrofit of gas transmission and

¹⁰ [Our commitment for a sustainable Supply Chain - Hera Group](#)

distribution networks and installation and repair of smart gas meters (falling into Eligible Green Projects referenced under EU economic activities 4.14 and 7.5 in the Section 2.1 Use of Proceeds) will not exceed 10% of the total proceeds of the Green Financing Instruments.

Allocation of an amount equal to the proceeds to Eligible Green Projects will be monitored and accounted for in Hera's internal tracking system, to ensure that each expense is not funded by more than one Green Financing Instrument and avoid double counting.

The funds raised directly by Hera will be conveyed, if necessary, to bank accounts of the subsidiaries through dedicated intercompany loans or through the management of the centralized treasury of the Hera Group.

At the end of each calendar year and so long as the Green Financing Instrument is outstanding, the balance of the proceeds of the issuance not already allocated to (re)finance Eligible Green Projects will be reduced by amounts matching disbursements made during the calendar year to Eligible Green Projects.

Hera will ensure on a best-efforts basis that the amount of Eligible Green Projects always exceeds or is at least equal to the sum of the proceeds of outstanding Green Financing Instruments.

Hera will use its best efforts to substitute any Eligible Green Project in the case of divestment or if no longer eligible or in the case of major controversy, as soon as practical once an appropriate substitution option has been identified, and within a 12-month period.

Unallocated Proceeds

Hera will intend, on a best effort basis, to fully allocate an amount equal to the proceeds raised by any Green Financing Instruments no later than 24 months following the issuance.

Pending the allocation or reallocation, as the case may be, of the proceeds to Eligible Green Projects, Hera will invest the balance of the proceeds, at its own discretion, in cash or other liquid marketable instruments in its liquidity portfolio.

Reporting

Hera will report on the allocation of proceeds and associated environmental impacts within one year of issuance and annually thereafter, until an amount equal to the proceeds of each Green Financing Instrument issued has been fully allocated, and as necessary in the event of material development or in case of substitution of Eligible Green Projects.

This allocation and impact report (Green Bond Report) will be made available on the Group website: [Hera Group: your Multiservices - Hera Group](#)



Allocation Reporting

The allocation report will include:

- The aggregated amount of Green Financing Instruments issued by type (i.e. Green Bond, Green Loan)
- For each Green Financing Instrument:
 - The aggregated amount of allocation of the proceeds to the Eligible Green Projects (at category level), with a description and selected case studies;
 - The balance of unallocated proceeds invested in cash or other liquid marketable instruments, if any;
 - The proportion of proceeds used for financing versus refinancing;
 - The proportion of proceeds by project type (capital expenditures, operating expenditures etc.);
 - The proportion of Eligible Green Projects that are EU Taxonomy aligned;
 - The proportion of proceeds allocated to Eligible Projects referenced under EU economic activities 4.14 and 7.5 in Section 2.1 Use of Proceeds.

Impact Reporting

Hera will report on a number of environmental impact metrics associated with the Eligible Green Projects funded with the proceeds of each Green Financing Instrument. Hera intends, on a best effort basis, to align the impact reporting with the guidelines from the ICMA Harmonised Framework for Impact reporting¹¹.

Examples of impact metrics (reported in comparison with ante investment situation or previous year), that will depend on the eligible project financed, are illustrated below.

¹¹ ICMA Handbook – Harmonised Framework for Impact Reporting (June 2024): <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

ICMA/LMA Eligible Green Project Category	Example of impact metrics for reporting, where applicable
Sustainable water and wastewater management	<ul style="list-style-type: none"> ♣ Served citizens (n) ♣ Annual volume of wastewater treated (mc) ♣ Water users served in areas with Water safety plans (% of total users served by aqueduct) ♣ Linear water losses (%) ♣ Water fed in the network by source (mc) ♣ Reduction rate of internal water consumption compared to 2017 (%)
Circular Economy & Pollution prevention and control	<ul style="list-style-type: none"> ♣ Recycled plastic sold (ton) ♣ Separated/Sorted collection of waste (%) ♣ Hazardous waste produced and prepared for reuse, recycling or recovery (%) ♣ Non-hazardous waste produced and prepared for reuse, recycling or recovery (%) ♣ Purified wastewater reusable/reused treated waste water (% of total purified waste water)
Energy Efficiency and energy infrastructure	<ul style="list-style-type: none"> ♣ Energy saved - reduction considering baseline 2013 (%) ♣ Installed photovoltaic capacity (MW) ♣ GHG emission avoided (tCO₂e) ♣ Reduction in GHG 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 – for electricity distribution (n) ♣ Installed Smart meters (n) ♣ Served Citizens/Points of grid distribution (n) ♣ Biomethane produced by OFMSW (million m³)





External Review

Pre-issuance external review

Hera has retained S&P Global Ratings Europe (Ltd) (“S&P”) to review this Framework and provide a “Second Party Opinion” (“SPO”) in respect of its alignment with (a) ICMA’s Green Bond Principles 2025 and LMA Green Loan Principles 2025 and (b) the EU Taxonomy. The SPO will be made available on Hera’s website: [Hera Group: your Multiservices - Hera Group](#)

In addition, S&P will also review and confirm the Framework alignment with the IFC Guidelines for Blue Finance (2025).

Post – issuance external review

On a yearly basis until the full allocation of the proceeds of the Green Financing Instruments, Hera will publicly disclose the amount and the types of the green projects allocated and related environmental impacts within the Green Bond Report. An independent external auditor will provide a review to “Limited Assurance” standard of the annual Green Bond Report. The external review will be made available on Hera’s website: [Hera Group: your Multiservices - Hera Group](#).



Disclaimer

This document (the Green Financing Framework) is intended to provide non-exhaustive, general information. This document may contain or make reference to public information not separately reviewed, approved or endorsed by Hera S.p.A. (Hera) and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Hera as to the fairness, accuracy, reasonableness or completeness of such information. This Green Financing Framework may contain statements about future events and expectations that are forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document. Unless otherwise stated, Hera has and undertakes no obligation to update, modify or amend this document or the statements contained herein to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any addressee if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate. This Green Financing Framework is not intended to be and should not be construed as providing legal, financial or technical advice. It should be noted that all of the expected benefits of the Eligible Green Projects referred to in this Green Financing Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Green Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Green Projects. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any “green bond” or other securities of Hera or provide financing to Hera, and nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons who might come into possession of it must inquire as to the existence of such restrictions and comply with them.

Hera Spa

Sede legale: Viale C. Berti Pichat 2/4 - 40127 Bologna
tel.: +39.051.28.71.11 fax: +39.051.28.75.25

www.gruppohera.it

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