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Second Party Opinion

Hera Green Financing Framework

Jan. 06, 2026

Location: Italy **Sector:** Multi-utility

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Guidelines for Blue Finance, IFC, 2025

See Alignment Assessment for more detail.

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Medium green

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Strengths

Hera intends to reduce water leakages along its distribution network. Hera already has lower water leakage than the national average in Italy, and it aims to improve its current linear water loss rate by 10% by 2028. The issuer assesses water drought risk for its assets. We view the eligible investments as supporting progress in reducing water leakage and managing exposure to water stress risk.

The company is investing in enhancing waste collection and recycling infrastructure. This focus spans a wide range of waste types, including packaging, plastics, cardboard, organic fractions, and others. The company has already achieved a high waste collection rate of 74.3%, but further investments could help to fully close the waste cycle and maximize material recovery.

Hera adheres to the International Finance Corporation (IFC)'s Guidelines for Blue Finance. Blue financing instruments issued under the framework will be applied to finance or refinance projects in sustainable water and wastewater management.

Weaknesses

Hera's framework includes investments in, and exposure to, fossil fuel-based assets and infrastructure. Proceeds may finance investments in the readiness of Hera's gas distribution network for hydrogen and low-carbon gases. Until the network distributes renewable or low-carbon gases, it is exposed to significant transition risk from the distribution of natural gas. Hera may also finance the installation of smart meters for gas. However, we view positively that the framework sets a limit of 10% of total allocations for investments toward gas networks and smart gas meters.

Areas to watch

Some eligible projects still rely on fossil fuels to power operations. Activities like waste collection and district heating networks do not yet fully rely on renewable energy. Eliminating these remaining exposures will require sustained investments, with the issuer's ongoing efforts focused on upgrading and adapting systems, optimizing operational management, and refining the energy mix for district heating, as well as decarbonizing logistics.

Shades of Green Projects Assessment Summary

In past allocations, Hera allocated an equivalent amount of the proceeds from the framework primarily to sustainable water and wastewater management, followed by circular economy and pollution prevention and control, and energy efficiency and energy infrastructure projects. A more precise allocation will be provided at the issuance of a green financing instrument.

Based on the project categories' Shades of Green detailed below and consideration of environmental ambitions reflected in Hera's Green Financing Framework, we assess the framework as Medium green.

Sustainable water and wastewater management	**Dark to Medium green**
Construction, extension, and operation of water collection, treatment, and supply systems	
Construction, extension, and operation of wastewater collection and treatment facilities	

Circular economy and pollution prevention and control	**Dark to Medium green**
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 biowaste	
Composting of biowaste	
Manufacture of plastic packaging goods	

Energy efficiency and energy infrastructure	**Dark to Medium green**
Electricity generation using solar photovoltaic (PV) 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, regulating, and controlling the energy performance of buildings	
Installation, maintenance, and repair of renewable energy technologies	

See Analysis Of Eligible Projects for more detail.

EU Taxonomy Assessment Summary

We believe that all activities eligible under the Green Financing Framework are aligned with the applicable technical screening criteria (TSC) and with the do not significant harm (DNSH) requirements. We also consider that, in implementing the projects, the company has processes and policies that align with the four components of the minimum safeguards of the taxonomy.

Projects undergo mandatory environmental impact assessments (EIAs) per EU and Italian laws. The issuer has conducted an assessment to identify physical climate risks that could affect its operations, in line with the DNSH adaptation criteria.

	Technical screening criteria (TSC)			
Economic activity	**Substantial contribution**	**Do no significant harm**	**Minimum safeguards (Issuer level)**	**Overall alignment**
5.1 - Construction, extension, and operation of water collection, treatment, and supply systems – NACE codes: E36.00 and F42.99	✓	✓		✓
5.3 - Construction, extension, and operation of waste water collection and treatment - NACE codes: E37.00 and F42.99	✓	✓		✓
3.17 - Manufacture of plastics in primary form - NACE code: C20.16	✓	✓		✓
4.13 - Manufacture of biogas and biofuels for use in transport and of bioliquids - NACE code: D35.21	✓	✓		✓
5.5 - Collection and transport of non-hazardous waste in source segregated fractions - NACE code: E38.11	✓	✓		✓
5.7 - Anaerobic digestion of bio-waste - NACE codes: E38.21 and F42.99	✓	✓		✓
5.8 - Composting of bio-waste - NACE codes: E38.21 and F42.99	✓	✓		✓
1.1 – Manufacture of plastic packaging goods - NACE code: C22.22	✓	✓		✓
4.1 - Electricity generation using solar PV technology- NACE codes: D35.11 and F42.22	✓	✓	✓	✓
4.9 - Transmission and distribution of electricity - NACE codes: D35.12 and D35.13	✓	✓		✓
4.14 - Transmission and distribution networks for renewable and low-carbon gases - NACE codes: D35.22, F42.21, and H49.50	✓	✓		✓
4.15 - District heating/cooling distribution - NACE code: D35.30	✓	✓		✓
4.22 - Production of heat/cool from geothermal energy - NACE code: D35.30	✓	✓		✓
7.3 - Installation, maintenance, and repair of energy efficiency equipment – NACE codes: F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, and C33.12	✓	✓		✓

7.5 - Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling the energy performance of buildings – NACE codes: F42, F43, M71, and C16, C17, C22, C23, C25, C27, and C28,	✓	✓		✓
7.6 - Installation, maintenance, and repair of renewable energy technologies – NACE codes: F42, F43, M71, C16, C17, C22, C23, C25, C27, and C28	✓	✓		✓

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = — Not applicable = **N.A.**

See EU Taxonomy Assessment for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Issuer Description

Italian multi-utility company Hera was formed from the merger of 11 multi-utilities in 2002 and is headquartered in Bologna. The company offers 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, and environmental reclamation), as well as telecommunication services. The issuer provides services in 316 municipalities in the five Italian regions of Emilia-Romagna, Veneto, Friuli-Venezia Giulia, Marche, and Tuscany. Hera also operates in Bulgaria through its subsidiary, Aresgas, which provides methane gas distribution and sales and electricity sales services.

As of Dec. 31, 2024, Hera was majority-owned by more than 100 municipalities that it serves, which held approximately 46% of shares through a shareholders' agreement, with the remaining 54% available as a free float on the Italian stock exchange. In 2024, the issuer reported revenue of €13 billion and EBITDA of about €1.6 billion. Earnings were generated across its three main business units: energy (43% of 2024 EBITDA), networks (33%), and waste services (24%).

Material Sustainability Factors

Climate transition risk

Power generation is the largest direct source of greenhouse gas emissions globally, making this sector highly susceptible to growing public, political, legal, and regulatory pressure to accelerate climate goals. Many policymakers and regulators are pushing for a faster transition to lower-carbon energy, especially as low-carbon technologies become more mature and cost competitive. As part of its Nationally Determined Contribution, Italy committed to reduce domestic emissions by 55% by 2030 compared to a 1990 baseline. With no direct emissions, renewable energy technologies have a central role in reducing emissions associated with power and heat, which is key to limiting global temperature rise to 1.5 C.

Physical climate risk

Utilities are somewhat more exposed to physical climate risks than companies in most other sectors due to their fixed assets. Extreme weather events, including wildfires, hurricanes, and storms, are becoming more frequent and severe and can result in

power outages. These risks, coupled with regulatory pressure to preserve security of supply, are driving utilities to enhance the resilience of their assets. Physical climate risks generally involve significant financial losses for operators related to repairs, extreme power price spikes, and claims due to business disruption. We expect these risks to continue but vary regionally depending on regulatory responses. Italy is vulnerable to increases in average temperatures, reduced mean annual precipitation, and climate-related hazards including droughts, episodes of intense precipitation, and extreme temperature events.

Pollution, waste, and recycling

Under applicable environmental laws and regulations, entities could be liable if their operations cause environmental damage, in particular contamination of air, drinking water, or soil. However, in some jurisdictions the waste industry has been among the most heavily regulated for many decades, and the regulatory structure is generally mature. In 2022, U.N. member states agreed to develop a new international binding agreement to tackle plastic pollution along the value chain. Additionally, end-of-life management--dismantling and recycling or processing waste--exposes companies to financial, reputational, and litigation risks if not properly planned for and provisioned. Italy has been working to meet EU policy targets related to waste management, including increasing municipal solid waste (MSW) recycling to 65% and reducing MSW sent to landfills to 10% or less by 2035. In 2020, 54.4% of MSW was recovered and about 20% was sent to landfills.

Water

Water and wastewater facilities face various supply and quality challenges depending on their location and role in the water life cycle. Water supply and quality issues may arise from inadequate infrastructure quality and water loss during extraction and transportation. Other issues could stem from acute physical climate events such as droughts and floods, chronic physical climate risks, or degradation of the watershed near extraction points due to human intervention or climate change. While treated wastewater can serve as a valuable source of water for specific end markets, the process could introduce potential downstream impacts on ecosystems and communities. Furthermore, operators might encounter escalating stakeholder conflicts driven by competing demands for limited water resources, including from agriculture, ecosystem preservation, power generation, and other industrial water users. Southern and Central Italy are exposed to extremely high levels of water stress (a measure of water demand on renewable water supplies), while Northern Italy experiences low-to-medium water stress, according to the World Resource Institute Aqueduct tool.

Social factors

The affordability and reliability of networks are under pressure from climate-related risks, exacerbating materiality for stakeholders. Energy and water are essential services that support human health and well-being and global economic development. Service disruptions or steep price increases are likely to be amplified by the energy transition and physical climate risks. These dynamics can affect households' purchasing power and the competitive strengths of local industries, which makes these risks highly material for stakeholders. For water utilities, pollution of source water can affect the availability and useability of supply. However, the industry is highly reliable and we expect this will continue given that water utilities use long-term integrated resource planning. Moreover, while utility bills are rising, they tend to increase at a lower rate than inflation. Regulators continue to allow utilities to use mechanisms to smooth price volatility and offer income assistance programs, which underpin rate rises having a more moderate impact. Italy has been more exposed to higher electricity prices than the EU average due to its heavy reliance on natural gas.

Issuer And Context Analysis

The framework's project categories aim to address Hera's most material sustainability risks. The categories all seek to address the climate transition and, to an extent, physical climate risk. The energy efficiency and energy infrastructure, sustainable water, circular economy and pollution prevention and control categories will also mitigate waste and recycling risks and pollution risks. Sustainable water and wastewater management activities will mitigate water and wastewater management risks and will contribute to ensuring the availability and sustainable management of water and sanitation, one of the aims of the blue projects. Hera Group integrates sustainability into its core strategy through its Creating Shared Value framework, which supports the U.N.'s 2030 Agenda for Sustainable Development. About 77% of its €4.6 billion investment

plan for 2024-2028 is dedicated to creating shared value projects in areas such as the energy transition, water services, and the circular economy. The issuer aims for 70% of its EBITDA to come from these shared value activities by 2030, up from 54% in 2024.

Hera is committed to a net-zero future by 2050, backed by a strategy to reduce near-term emissions by 2030, despite ongoing fossil fuel exposure. Hera has set Science-Based Targets initiative (SBTi)-validated targets aligned with limiting global warming to well-below 2 C. These 2030 targets have a 2019 baseline and include absolute reductions in scope 1 and 2 emissions by 28%, a reduction in absolute downstream scope 3 emissions from methane gas sales by 30%, and a reduction in carbon intensity from electricity sales by 50% metric tons of CO_2e per megawatt hour. This approach is projected to result in a 37% overall reduction in absolute greenhouse gas emissions by 2030 (32% by 2028).

In 2024, Hera released its 1.5 C Climate Transition Plan and a net zero target for 2050, aiming to reduce scope 1, 2, and 3 emissions from gas and electricity sales by about 90% compared to 2019. It has already offset about 16% of its scope 3 emissions from methane gas sales in 2024 through carbon credits, and will rely on carbon removal solutions to compensate for the remaining emissions. Hera's carbon reduction strategy centers on internal energy consumption and decarbonization of the energy generated and sold. In 2024, 44% of its internal energy was from renewables and 56% came from fossil fuels. To reduce its scope 1 emissions, primarily from waste to energy plants, Hera plans to implement carbon capture, utilization, and storage, with initial testing planned at the Ferrara facility. Since 2023, the issuer has sourced 100% of its electricity supply from certified renewable sources. Though positive, this offers limited additionality compared to on-site generation solutions. About 91% of the issuer's scope 3 emissions were driven by electricity and methane gas consumption across its supply chain. To mitigate these emissions, Hera plans to increase the supply of renewable electricity to its customers to 58% by 2028 and to above 75% by 2050, from 49% in 2024, and expand renewable gases into the national energy mix to 147 gigawatt hours (GWh) by 2028, from 95.4 GWh in 2024.

Hera integrates climate-adaptation strategies to enhance the resiliency of its assets against physical climate risk. In 2025, the issuer assessed climate risks for its strategically important assets and those with high exposure, as indicated by previous analyses and events using the Intergovernmental Panel on Climate Change (IPCC)'s Representative Concentration Pathway (RCP) 8.5 scenario, considering time horizons of 2030 and 2050. Following an assessment that identified integrated water services assets as facing significant climate risks, Hera is enhancing the resilience of its water supply network through infrastructure upgrades, protective barriers, and improved alert systems for extreme weather events. Furthermore, to improve the resilience of its gas assets, Hera aims to install 2,055 gas sensors by 2028 to monitor potential landslides--it had installed 120 as of 2024. These measures align with The Italian Regulatory Authority for Energy, Networks and the Environment (ARERA)'s guidelines. Water scarcity remains a significant challenge in the regions in which Hera operates, although we view positively the issuer’s efforts in drought risk assessments and investments in network efficiency, digital leak detection, and localized management systems, as detailed in the project category assessment.

Hera has implemented measures to reduce its main environmental risks--waste, water, biodiversity, and pollution--in line with, and beyond, national and EU regulatory requirements. Hera's focus on circular economy includes investments in improving recycling rates (including packaging), maximizing material and energy recovery, and reducing landfill disposal. Hera projects a recycling rate of 64% by 2028, surpassing the EU's target of a 60% rate by 2030, while packaging recycling is expected to reach a 68% rate by 2028, compared to the EU target of 70% by 2030. In 2024, landfill disposal represented 2.2% of municipal waste, a decrease from 2.7% in 2023. Hera aims to keep landfill waste below 3% of municipal waste by 2028--well below the EU's 2035 target of 10%. In 2024, 42% of the total weight of raw materials used were recycled, significantly reducing the need for virgin materials. Additionally, the issuer set a target of reducing linear water losses by 10% by 2028 by deploying digital solutions for leak detection, predictive maintenance, and smart metering. To address risks to air, water, and soil pollution, it uses emissions abatement and dual flue gas monitoring systems in waste to energy plants and also aims to upgrade wastewater treatment plants for improved purification.

Hera aims to reduce impacts on communities and promote local development. Hera prioritizes community engagement through initiatives like HeraLABs and establishes communication channels with various stakeholders during project development and operation. To address potential grievances, the issuer has a whistleblowing portal and customer service centers. It also supports local communities through funding for cultural, educational, and recreational activities. Furthermore, Hera promotes social inclusion by offering payment assistance and other voluntary support programs to vulnerable customers and those facing financial difficulties.

We believe Hera's framework addresses the supplementary recommendations of the IFC's Guidelines for Blue Finance, and we therefore consider its eligible sustainable water and wastewater management activities to be blue projects. Blue financing instruments issued under the framework will be applied to finance or refinance projects in water distribution and wastewater management, delivering measurable outcomes on the reduction of water network losses above their documented baselines. The blue projects do not introduce material risk to other environmental priorities of the U.N. Sustainable Development Goals (SDGs), and the documentation clearly states which international sustainability standards the issuer follows. The issuer commits to, where possible, align its reporting with the International Capital Markets Association (ICMA)'s Handbook for Impact Reporting.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond and Loan principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = O Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Guidelines for Blue Finance, IFC, 2025

✓ Use of proceeds

All the framework's green project categories have a green shade, and the issuer commits to allocate the proceeds issued under the framework exclusively to finance or refinance new and existing eligible green projects. Opex qualifies with a lookback period of two years, while capex has no lookback period. Hera may allocate proceeds to acquire majority stakes in companies that generate at least 90% of revenue from eligible project categories or have at least 90% of their assets attributed to eligible green projects. To ensure the companies remain pure play, Hera monitors the alignment of environmental, social, and governance aspects with EU Taxonomy criteria annually. The issuer confirms that the remaining 10% of business activities will not be related to fossil fuel generation. Hera could issue a variety of green financing instruments under the framework, encompassing bonds, loans, and revolving credit facilities. The proportion of financing versus refinancing will be disclosed in its allocation report.

✓ Process for project evaluation and selection

Eligible projects are evaluated and approved by a team comprising the group CFO, finance department, and shared value and sustainability director in accordance with the framework criteria. Additionally, Hera's ethics and sustainability committee conducts an annual review of eligible green projects until full allocation. Project eligibility under Hera's Green Financing Framework is determined by alignment with the EU Taxonomy's substantial contribution, DNSH, and minimum safeguard criteria, alongside adherence to internal policies and relevant regulations. The issuer manages environmental and social risks through its enterprise risk management (ERM) system. The framework limits investments in gas network retrofits and smart gas meter installations/repairs to a maximum of 10% of total proceeds. Furthermore, in our view, the blue projects do not introduce material risks to other environmental priorities of the SDGs, and the documentation clearly states which international sustainability standards the issuer follows.

✓ Management of proceeds

Hera will ensure an amount equal to proceeds from the green financing instruments is deposited into its general account and earmarked for financing and refinancing eligible green projects. The issuer will maintain a green project portfolio value equal to or exceeding the value of outstanding green finance. Hera commits to replacing projects that are divested, no longer meet eligibility criteria, or are involved in major controversy within a period of 12 months. Hera will allocate the net proceeds within 24 months after issuance and any unallocated proceeds will be held in cash or other marketable liquid instruments in its liquidity portfolio. Hera commits that where a facility includes a green tranche and a non-green tranche, the green tranche will be clearly designated, with proceeds of the green tranche tracked by the issuer in adherence to its framework and guidelines outlined in the Loan Market Association (LMA)'s Green Loan Principles.

✓ Reporting

Hera commits to report and publish annually on its website the allocation of proceeds and relevant environmental impact metrics from any green financing through its green bond report until full allocation of proceeds, in case of material changes, or if there is a substitution of eligible green projects. Allocation reporting will include a brief description of the eligible projects, the

total amount of instruments outstanding, a breakdown of green projects by category and type, the amount of financing versus refinancing, and the amount of unallocated proceeds. Hera also commits to disclose the proportion of EU Taxonomy-aligned eligible green projects. Hera's impact report will include actual environmental impact metrics compared to a reference point (ante the investment or previous year). To the extent possible, Hera seeks to align its reporting practices with ICMA's Harmonized Framework for Impact Reporting for green bonds. For water infrastructure, the issuer will report on the "reduction in linear water losses (cubic meters/km/days)", which is a core indicator under ICMA's framework. The allocation report will be externally verified.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments".

Overall Shades of Green assessment

Based on past allocations, we expect Hera will allocate an equivalent amount of the proceeds from the framework primarily to sustainable water and wastewater management, followed by circular economy and pollution prevention and control, and energy efficiency and energy infrastructure projects. A more precise allocation will be provided at issuance.

Based on the project categories' Shades of Green detailed below, and consideration of environmental ambitions reflected in Hera's Green Financing Framework, we assess the framework as Medium green.

Activities that represent significant steps towards a low-carbon climate resilient future but will require further improvements to be long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

Green project categories

Sustainable water and wastewater management

Assessment	Description
Dark to Medium green	5.1 - Construction, extension, and operation of water collection, treatment, and supply systems 5.3 - Construction, extension, and operation of wastewater collection and treatment facilities

Analytical considerations

- Investments in water supply and wastewater infrastructure are central to achieving a low-carbon climate resilient future, particularly through climate change adaptation, mitigation of water scarcity, and protection of aquatic ecosystems. Italy is exposed to climate-driven hydrological stress, with high rates of freshwater abstraction for public water supply. In 2022, national water loss in the public urban water supply network reached 42% of input, according to the Italian National Institute of Statistics. For Italian multi-utilities, strengthening and decarbonizing the water cycle is essential. However, these systems are energy intensive and, if not sufficiently managed, can generate significant waste and methane emissions as well as exacerbate water stress for other stakeholders and ecosystems.
- Based on past allocations, this category represents most of the potential allocation of proceeds. The majority of proceeds are expected to be allocated toward water collection and supply assets, and the remainder toward wastewater collection and treatment activities. We assign these investments a Dark to Medium green shade, reflecting their solid contribution towards achieving a low-carbon, climate resilient future and their alignment with the EU Taxonomy. At the same time, the sector's decarbonization potential remains limited by the energy intensity of water and wastewater operations, and further measures--such as methane-capture initiatives--will be required to prepare the systems for a low-carbon, climate resilient future.
- Hera commits to improving water management and resilience through its investments in water infrastructure. The company is actively upgrading collection and supply systems to enhance efficiency, reduce non-revenue water losses, and mitigate drought risks--actions we view positively. These investments include pipeline upgrades, new connections, and the development and implementation of advanced technologies such as network districts for localized management, digital leak detection with predictive maintenance (covering 85% of the network in 2024, with a target of 99% by 2028), and smart metering systems. These efforts, alongside plant efficiency improvements, led to a linear water loss rate of 8.4 cubic meters per kilometers per day (mc/km/day) in 2024, significantly below Italy's national average of 17.9 mc/km/day, though higher

than other geographies. Beyond high-water loss rates, several Italian regions are also experiencing high and extremely-high water stress risk, including water scarcity and depletion, according to the World Resources Institute's Aqueduct tool. We view Hera's location-based drought risk analyses as strong practice, and the entity completed an assessment of reservoir overdrafting. These analyses aim to examine and address potential over-extraction of groundwater--a concern in Italy due to the impacts of climate change. The company has set a target to reduce energy consumption by 10% by 2030 (relative to 2013) across water cycle activities and is increasingly electrifying operations such as pumping and potabilization and powering them with 100% renewables. This allows Hera to reach an energy consumption of 0.41–0.42 kilowatt hours (kWh) per cubic meter for its eligible assets, below the 0.5 kWh/cubic meter threshold under the EU Taxonomy's substantial contribution criteria. It also sources 90% of its energy consumption from renewables, which we view positively. While embodied emissions from construction materials, such as concrete and steel, and operational energy consumption pose ongoing climate mitigation risks, the issuer informed us that key investments will focus on refurbishing and retrofitting, which are associated with lower embodied emissions than new construction. Overall, we view Hera's water management investments as Dark green. This reflects the issuer's solid performance, particularly in energy management and drought-risk management, and the network investments that help ease local water stress and lower the risk of service disruption from natural events. We also factor in Hera's efforts to maintain uninterrupted water supply to customers and our understanding that the company has not experienced service cut-offs in the past. According to the issuer, critical issues affecting spring sources have largely been resolved, with tanker-truck distribution falling to 78,500 cubic meters in 2024--0.03% of total water supplied--with 97% occurring in the Marche region, which accounts for 7.5% of the customer base.

- We view Hera's investments in wastewater collection and treatment as robust steps toward a low-carbon, climate resilient future, supporting increased water quality and reuse. However, not all projects are likely to be fully low-carbon solutions, considering, for example, the absence of methane capture at treatment facilities. Therefore, we assign these eligible projects a Medium green shade. The eligible upgrades to wastewater treatment plants enhance purification performance and ensure compliance with stringent regulatory standards, including EU Taxonomy requirements, and contribute to improved water quality and the safeguarding of ecosystems, particularly during periods of heavy rainfall. We view positively that Hera promotes wastewater reuse, with 43.7 million cubic meters of water treated and reused in 2024--a 14% increase from the previous year. The water was primarily used for indirect agricultural and industrial purposes within high water stress regions, which addressed some water scarcity concerns. Although Hera does not currently have methane capture solutions in place, the company is conducting comprehensive carbon footprint assessments for its wastewater treatment services.
- Hera confirms it applies biodiversity and climate risk assessments across eligible projects, including EIAs and appropriate assessments where sites affect Natura 2000 (SAC, SPA, SIC) protected areas. Screening and full assessments are carried out when potential impacts arise, with hierarchical mitigation and compensation implemented where prescriptions are issued. In 2025, the issuer performed a physical climate scenario analysis using IPCC's RCP 8.5 for 2030 and 2050 on 15 representative assets in integrated water services. It identified relevant mitigation and adaptation measures and plans to extend the assessment. For each asset, the issuer assessed existing defenses and planned measures--flood sensors, pumps, backup generation, and automatic barriers--and will expand interconnections of aqueducts.
- In line with the IFC's Guidelines for Blue Finance, Hera aims for measurable water loss reductions following investments to reduce leakage. The guidelines require the development, replacement, and/or rehabilitation of water conveyance and distribution systems to reach at least a 10% reduction in physical losses compared with a documented baseline. We consider this met by Hera's commitment to reduce leakages from its 2024 base year level of 8.4 mc/km/day by 10% by 2028. The issuer will aim to contribute to SDG 6 on ensuring the availability and sustainable management of water and sanitation. Given the projects' alignment with the EU Taxonomy DNSH criteria, we expect the category to mitigate impacts of other environmental risks. We therefore view Hera's sustainable water and wastewater management activities financed under this category as blue projects.

Circular economy and pollution prevention and control

Assessment	Description
Dark to Medium green	3.17 - Manufacture of plastics in primary form
	4.13 - Manufacture of biogas and biofuels for use in transport and of bioliquids
	5.5 - Collection and transport of non-hazardous waste in source segregated fractions

5.7 - Anaerobic digestion of biowaste

5.8 - Composting of biowaste

1.1 – Manufacture of plastic packaging goods

Analytical considerations

- Effective waste management plays a relevant role in preventing pollution, safeguarding human health, and protecting local ecosystems. Proper recycling extends the useful life of materials, reducing energy consumption, emissions of CO_2 and air pollutants, and demand for virgin resources. According to the waste hierarchy established by the EU, waste prevention and reuse are the preferred options, followed by recycling, energy recovery, and disposal. In Italy, separate collection and recycling systems have increased recycling rates in recent years. The national separate collection rate reached 65.2% in 2023, up from 63% in 2021, according to the Italian Institute for Environmental Protection and Research. The non-profit consortium CONAI reports that the recycling rate for packaging waste reached 73.3% in 2024, exceeding the EU target of 65% by 2025. Overall municipal waste recycling was about 50%–55%, in line with the EU average. Key non-hazardous waste streams include plastics, paper and cardboard, glass, metals, wood, and organic waste. Investments in waste collection and sorting infrastructure are needed to further increase recycling and reuse rates and to divert waste from landfilling. Moreover, the use of recycled materials in manufacturing helps close the loop of the circular economy, supporting the transition to a low-carbon, climate resilient future. Nonetheless, the carbon intensity of manufacturing processes and final product use need to be considered to ensure that circularity efforts deliver climate benefits.
- We assess the whole category as Dark to Medium green, given the role of the activities in reaching a low-carbon, climate resilient future. Our assessment also considers the breadth of the category and the potential environmental risks associated with some activities downstream in the value chain.
- For anaerobic digestion activities, which generate biogas, biomethane, and biofuels for transport, we assign a Dark green shade. The assessment is primarily driven by a reliance on organic waste feedstock, largely derived from separately collected household streams, which we positively because it avoids dependence on energy or food/feed crops and reduces land-use change risks. Furthermore, the issuer's processes incorporate greenhouse gas efficiency measures--as detailed in the EU Taxonomy assessment section--resulting in greenhouse gas emission savings of 65% or higher compared with fossil fuel alternatives. For composting activities, we assign a Medium green shade. Although the process uses similar organic waste inputs--typically lower-moisture materials such as pruning residues and grass clippings--the produced compost is primarily applied in downstream agricultural uses, and downstream emissions constrain our assessment. Specifically, we view the produced compost as an enabler for decarbonizing agricultural activities, given the potential improvement in soil health and water retention, and the possible reduced reliance on synthetic fertilizers. However, there is no requirement in terms of the type of agricultural activity that the produced compost will be applied to. Therefore, our assessment is constrained due to the potential exposure to continued emissions from conventional farming practices in downstream activities (e.g., fossil fuels machinery, energy for irrigation, and soil disturbance), and the risks of nitrous oxide release or nutrient runoff.
- For the collection and sorting of non-hazardous waste streams--including plastics, cardboard, glass, aluminum, and steel--we assign a Medium green shade. This reflects the issuer's solid recovery performance, with 74.3% separate collection, a 61% total recycling rate, and a 66% packaging recycling rate in 2024. These results contribute to the transition toward a low-carbon, climate resilient future. However, the collection and sorting process currently relies on fossil fuels for logistics operations. As a mitigating factor, we note the issuer's decarbonization strategy for mobility, which includes increasing the share of lower-emission vehicles (electric and hydrotreated vegetable oil) from 1% in 2024 to 35% by 2028. This marks tangible progress, but it still does not cover the majority of the fleet. As a result, a significant share of transport and logistics will continue to rely on higher-emission or transitional fuels, with residual emissions and potential lock-in risks remaining, limiting our assessment.
- For the manufacture of plastics in primary form, we assign a Medium green shade, representative of robust transition steps towards a low-carbon, climate resilient future. These activities rely exclusively on mechanical recycling processes, which entail lower greenhouse gas emissions and overall environmental risks compared to chemical recycling alternatives. According to the issuer, post-consumer plastic waste represents about 95% of total inputs, with the remainder from pre-consumer industrial waste. The issuer also indicated that the eligible assets--managed by Hera's subsidiary Aliplast, which is responsible for plastics recycling and packaging production--will mostly operate on renewable electricity drawn directly from the grid with certificates of origin, and a smaller portion of self-produced energy with further plans to add solar PV capacity in future, thereby reducing reliance on fossil fuels and reducing emissions lock-in. The packaging products are designed to be fully recyclable, supporting continuous material circularity. However, especially for food-contact packaging, the issuer clarified that limited quantities of virgin plastics are added to meet safety and regulatory requirements. In 2024, Aliplast

achieved an 84% recycled content share across total plastic product volumes, including packaging and durable goods, representing a 41% increase compared to 2017--a development we view positively. Given the remaining, though decreasing, reliance on virgin plastics, also due to Italian legal requirements, we assign a Medium green shade to the packaging production activities, recognizing these as meaningful transitional steps toward a low-carbon, climate resilient future.

- The issuer confirms it applies comprehensive biodiversity and climate risk procedures across eligible projects, including EIAs and appropriate assessments where sites affect Natura 2000 areas (SAC, SPA, SIC). Further information is provided in the sustainable water and wastewater management category and in the EU Taxonomy assessment section.

Energy efficiency and energy infrastructure

Assessment	Description
Dark to Medium green	4.1 - Electricity generation using solar PV technology 4.9 – Transmission and distribution of electricity 4.14 – Transmission and distribution networks for renewable and low-carbon gases 4.15 – District heating and cooling distribution 4.22 - Production of heat and cool from geothermal energy 7. 3 - Installation, maintenance, and repair of energy efficiency equipment 7.5 - Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling the energy performance of buildings 7.6 - Installation, maintenance, and repair of renewable energy technologies

Analytical considerations

- Renewable energy projects such as solar PV and geothermal are key elements in limiting global warming to well below 2 C, provided that their negative impacts on the local environment and physical risks are sufficiently mitigated. Energy efficiency measures are also necessary to transition to a low-carbon economy, but their climate benefits and risks vary. Exposure to climate risk arises for example, when such measures lock in high-energy processes or fossil fuel use.
- Projects eligible under this category have varying levels of environmental risks and benefits. Hera's investments in solar power support Paris Agreement-modelled pathways. These imply that almost all electricity is supplied from zero- or low-carbon sources by 2050. Similarly, its investments to enhance electricity distribution networks are key to facilitating the integration of a growing share of renewable sources. Efficient district heating and cooling networks can play a role in the transition to a low carbon future, but the extent depends on the feedstocks used. This category also includes retrofitting projects to make natural gas distribution pipelines ready for hydrogen. We believe the climate impact of these retrofits is uncertain and will depend on the future composition of the gas distributed in such networks, over which Hera has no direct control. We assess the category as Dark to Medium green, reflecting the allocation of most of the proceeds in this category to electricity distribution network enhancements and solar power in the past few years. The Dark to Medium green shade also accounts for the commitment in the framework to limit investments toward gas networks and smart gas meters to 10% of total green proceeds. Solar PV and geothermal projects are assigned a Dark green shade. Generation from solar is central to the decarbonization of energy grids, though there may be local environmental impacts (such as on biodiversity) from their implementation and life cycle risks in their supply chain (such as related to materials sourcing). The geothermal project relates to the Ferrara plant, which is operating in closed-loop system. We view such systems as having relatively lower environmental risks, as opposed to open-loop ones, notably related to water bodies and the potential contamination of groundwater. Decarbonizing heat sources is a huge challenge in the decarbonization of buildings and hard-to-abate industries.
- Based on past allocations, we expect the majority of proceeds in this category to be allocated toward investments in improving the efficiency of the electric grid. We assign these investments a Medium green shade. This reflects our view that the grid--although on a decarbonization trajectory--is not yet considered fully low carbon. It had a grid emissions factor of about 200 grams of carbon dioxide equivalent (CO_2e) per kWh in 2024, above the 100 g CO_2e/kWh threshold set by the EU Taxonomy, according to the Italian Institute for Environmental Protection and Research. In 2024, power generation

from fossil sources, especially gas, accounted for more than half of Italy's total electricity generation. However, we also consider that the country's grid is on a clear decarbonization pathway as per the National Integrated Energy and Climate Plan. This plan aims to increase the share of electricity generated from renewable sources to at least 65% of final consumption by 2030, from 41% in 2024.

- Eligible district heating and cooling distribution network projects are limited to those aligned with EU Taxonomy criteria. Three plants that heavily rely on heat from municipal waste used in waste-to-energy plants and from geothermal sources, in addition to some fossil fuel inputs, are eligible for financing. The issuer's investments in these networks aim to interconnect isolated systems and maximize the use of renewable sources. For example, the issuer is aiming to double the capacity of the Ferrara geothermal plant by 2028. We assess these projects as Medium green, reflecting the ongoing decarbonization and the already relatively low share of thermal boilers (11%) in the overall feedstock of the district heating and cooling networks in scope for financing.
- The category also includes the retrofitting of natural gas distribution networks to allow for a larger share of hydrogen in the transported mix, although no proceeds have been allocated to such projects yet. The applicable regulation in Italy limits hydrogen blending to 2% by volume, which Hera's networks can currently support. The company is going beyond regulation, notably through a trial partnerships with Italy's Ministry of the Environment and Energy Security and the Italian Gas Committee, to verify the feasibility of distributing gas blends with a hydrogen share of between 5% and 10%. For the share of hydrogen to eventually increase, it is key to demonstrate that distribution networks can support it, something that the issuer working on and that we view positively. The final share of hydrogen in the transported gas mix will be central to assessing the environmental benefits and risks tied to such projects. The gas mix is out of Hera's control and depends on regulation, feasibility studies, and the future availability of decarbonized hydrogen sources. Italy aims for hydrogen to represent up to 20% of energy demand by 2050. Alongside network updates, the issuer will finance the installation of smart meters for gas. The issuer informed us that such smart meters increase the quality of gas leakage monitoring, especially in a region exposed to earthquakes, which can significantly disrupt gas distribution. Such meters are designed to mitigate the corrosive effect of hydrogen. We consider these projects Light green, reflecting the lock-in risks related to fossil fuel infrastructure. The actual climate benefit heavily depends on future hydrogen blending levels, which are uncertain and out of Hera’s control. However, this does not impact the shade as we understand that the issuer does not expect to finance this activity with green bond/finance proceeds, in line with past allocations.
- Various installation and efficiency measures are also eligible under this category. We assess investments in the installation, maintenance, and repair of renewable energy technologies as Dark green, considering their role in a low-carbon, climate resilient future. Additionally, we view positively the replacement of high-efficiency heating, ventilation, air conditioning, and water heating systems. Adding insulation to a building's existing envelope components can significantly lower energy consumption for heating and cooling. Given that the company does not commit to a specific performance threshold improvement in terms of emission reduction, the actual environmental impact may vary.
- Hera uses various scenarios to assess its activities' exposure to physical climate risks. Some of its investments aim to improve the resilience of its networks, notably the gas pipelines and the issuer's efforts to mitigate potential leaks.
- There are carbon emission considerations at various stages of the life cycle of renewable energy assets, including emissions related to material sourcing, manufacturing, transportation, and equipment end-of-life management. Hera has implemented a supply chain mechanism that rewards manufacturers offering higher durability and recyclability.
- The company confirmed that the electricity generated from renewable sources will not be used for operations directly related to fossil fuels.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

EU Taxonomy Assessment

In our EU Taxonomy assessment, we opine on whether an eligible project to be financed aligns with the EU Taxonomy in cases when the economic activity is covered by the TSC, which is incorporated into European law via delegated acts. (see "Analytical Approach: EU Taxonomy Assessment").

We believe that all Hera's eligible activities, located in Italy, are aligned with the TSC for a substantial contribution to the objectives of climate change mitigation and circular economy (for activity 1.1 – Manufacture of plastic packaging goods) and with the required DNSH criteria. We also consider that, in implementing the projects, the company has processes and policies that align with the four components of the minimum safeguards of the EU Taxonomy.

- Substantial contribution criteria: we view the activity dedicated to the manufacture of plastic packaging goods as aligned with the TSC for a substantial contribution to the circular economy objective. Furthermore, we think that all the other eligible economic activities (for the complete list, please refer to the summary table) are aligned with the climate change mitigation criteria.
- We believe that all Hera's eligible activities are aligned with the required DNSH criteria.
- We also consider that, in implementing the projects, the company has processes and policies that align with the four components of the minimum safeguards of the EU Taxonomy.

EU Taxonomy – Detailed analysis

Aligned = ✓ Not aligned = ✗

3.17 Manufacture of plastics in primary form - NACE code: C20.16

Hera informed us that proceeds may be used to refinance existing plants or finance new plants that meet the applicable TSC. Hera aims to finance only mechanical plastics recycling projects. This activity is listed under the EU Taxonomy as transitional, hence the TSC criteria may become stricter following EU Commission updates. As such, Hera may be required to update the framework criteria if it wishes to continue alignment with the applicable TSC.

Opinion	Key findings
Substantial contribution: Technical screening criteria assessment	
✓	We consider the issuer's activity of manufacture of plastics in primary form from mechanical recycling as aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.
DNSH: Technical screening criteria assessment	
✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention efforts, and biodiversity. The circular economy DNSH objectives are not applicable for this eligible economic activity. For climate adaptation, water, and biodiversity, further information is provided in the generic DNSH section. • Hera confirmed it meets the pollution prevention DNSH criteria ensuring that a best available techniques (BAT) analysis has been conducted as per law, and the resulting emissions to air and water are consistently maintained within or lower than the established BAT-associated emission levels (AEL) ranges. This compliance with relevant BAT is formally integrated into the authorization processes for the facilities. To ensure this performance is sustained, the group's laboratories periodically carry out emission analyses in accordance with the applicable BAT conclusions, which are regularly updated to support alignment with the BAT reference document for polymers, wastewater, and waste gas management. Furthermore, the group confirms that no cross-media effect occurs, verified through regular monitoring with detailed analyses on environmental regulations and authorizations which are based on BAT adoption.

4.13 - Manufacture of biogas and biofuels for use in transport and of bioliquids - NACE code: D35.21

Hera informed us that proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance projects dedicated to produce biogas and biofuels from separately organic fraction of waste.

Opinion	Key findings
Substantial contribution: Technical screening criteria assessment	
✓	We view Hera's economic activity as aligned with the TSC for a substantial contribution to climate change mitigation. • The TSC requires greenhouse gas emissions savings of at least 65% relative to the fossil fuel comparator set out in Directive (EU) 2018/2001, and group's operational data confirms that its facilities meet the required minimum, achieving greenhouse gas reductions of 73% at the Sant'Agata plant and 77% at the Spilamberto plant. Furthermore, the Group commits to the qualitative and process-based requirements of the TSC. • Regarding feedstock sustainability, Hera states that the criteria laid down in Article 29 of Directive (EU) 2018/2001 are not applicable as the input exclusively consists of organic waste sorted from municipal solid waste and other organic waste from the agro-food industry; therefore, no food- or feed-crops, agricultural, or forestry biomass are used. • For the anaerobic digestion process, alignment is ensured by meeting the specific criteria for digestate production, including a comprehensive monitoring and emergency plan to minimize methane leakages, and the biogas produced is upgraded to biomethane for injection into the natural gas network or used as vehicle fuel. The issuer states that the specific requirement related to carbon capture and storage is not applicable, because the group has no such systems present in its manufacturing process.
DNSH: Technical screening criteria assessment	
✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention efforts, and biodiversity. The circular economy DNSH objectives are not applicable for this eligible economic activity. For climate adaptation, water, and biodiversity, further information is provided in the generic DNSH section. • For the requirement of a gas-tight cover on the digestate storage, the issuer informs us that for the Sant'Agata plant the requirement is not applicable as the process doesn't involve storage. For the Spilamberto plant, the requirement is addressed through the use of short-term storage with a process (centrifuging and temperature drop) that is claimed to halt methanogenic activity, achieving the emission-reduction goal, with emissions accounted for in the greenhouse gas balance, making it compliant with Legislative Decree 199/2021. Furthermore, the production step relies on gas-tight coverage. Concerning emissions to air and water being within BAT-AEL ranges, the group relies on its existing operating authorization issued by the competent authority pursuant to Article 208 of Italian Legislative Decree 152/06. The environmental compatibility was assessed and compliance with BAT was reviewed during the preliminary investigation. Additionally, the digestate quality meets the standards of the relevant Italian regulation.

5.5 - Collection and transport of non-hazardous waste in source segregated fractions - NACE code: E38.11

Although the issuer does not commit that the share of future allocations to this activity will be the same, more than 10% of past green bond proceeds, from 2023 to 2025, were allocated to the collection and transport of non-hazardous waste. Proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance technologies dedicated to non-hazardous waste collection and transportation for further recycling or reuse of the eligible waste.

Opinion	Key findings
Substantial contribution: Technical screening criteria assessment	
✓	We view this activity as aligned with the requirements for the sustainable contribution criteria of climate change mitigation, since Hera confirms that all the non-hazardous waste is collected in separate fractions at source, and it is transported and treated for preparation for reuse and recycling.
DNSH: Technical screening criteria assessment	

✓	According to the TSC, this activity must not harm climate change adaptation and circular economy. The water, pollution prevention, and biodiversity DNSH objectives are not applicable for this eligible economic activity. For climate adaptation, further information is provided in the generic DNSH section. • We view the requirement on pollution prevention as met by Hera, since the issuer confirms that all the non-hazardous waste fractions collected and transported via the eligible investments will not be mixed in waste storage and/or transfer facilities, with other waste or materials with different properties.

5.7 - Anaerobic digestion of biowaste - NACE codes: E38.21 and F42.99

Although the issuer does not commit that the share of future allocations to this activity will be the same, about 1% of past green bond proceeds, from 2023 to 2025, were allocated to anaerobic digestion activities. Proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance technologies for anaerobic digestion of biowaste for the production of biogas and biomethane.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the activity anaerobic digestion of biowaste aligned with the TSC for a substantial contribution to the EU's climate change mitigation objective. • The underlying process involves the use of source-segregated biowaste as feedstock, • The company confirms that food and feed crops are not used as input, • It confirms that the produced biogas is directly used for electricity or heat generation, and the resulting digestate is used as fertilizer, and • Operations are supported by a methane leakage monitoring plan and integrated contingency procedures.
	DNSH: Technical screening criteria assessment
✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, or biodiversity. The circular economy DNSH objectives are not applicable for this eligible economic activity. For climate adaptation, water, and biodiversity, further information is provided in the generic DNSH section. • Regarding the pollution prevention DNSH criteria, Hera confirms that for all the eligible plants, a BAT analysis was conducted, and emissions to air and water are certified as within or lower than the BAT-AEL ranges. We view this element as addressing the requirement for plants treating over 100 metric tons per day, with the issuer confirming that no significant cross-media effects occur implicitly through BAT compliance. The produced digestate is confirmed to meet the quality standards as requested by the Italian Legislative Decree 75/2010, serving as the national compliance route for fertilizing materials. Furthermore, the company confirms that the nitrogen content of the digestate is communicated to the purchaser or the entity responsible for the take-off. With reference to the no cross-media effect requirement, we note that Hera employs a multifaced environmental assessment of its anaerobic digestion plants, including obtainment of integrated environmental authorizations, and related updates following the principles of the BAT and ISO14001 certification, ensuring that no pollution is transferred through different media. Therefore, we view the DNSH requirements as met.

5.8 - Composting of biowaste - NACE codes: E38.21 and F42.99

Proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance technologies for the composting of biowaste for agricultural and industrial purposes.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the activity composting of biowaste as aligned with the TSC for a substantial contribution to the EU's climate change mitigation objective.

- The issuer confirms that for the eligible plants the composted organic waste is separated and collected, with investments directed to existing plants. Furthermore, the final product is compliant with Italian relevant regulation on quality standards, as the fertilizer meets the requirements of Legislative Decree 75/2010.

DNSH: Technical screening criteria assessment

According to the TSC, this activity must not harm climate adaptation, pollution prevention, and biodiversity. The water and circular economy DNSH objectives are not applicable for this eligible economic activity. For climate adaptation and biodiversity, further information is provided in the generic DNSH section.

✓

- Regarding the pollution prevention DNSH criteria, Hera confirms that a BAT analysis has been conducted as required by law, with emissions confirmed to be within the BAT-AEL ranges for the aerobic treatment of waste. Compliance with relevant BATs is also embedded in the facilities' authorizations, such as the integrated environmental authorization. Furthermore, the facilities are compliant with measures for preventing leachate reaching groundwater protection requirements, because the plants are equipped with a dedicated system. The produced fertilizer meets the quality standards set out in component material category 3 of the EU's Regulation (EU) 2019/1009 and the Italian legislative decree 75/2010 and subsequent amendments.

1.1 – Manufacture of plastic packaging goods - NACE code: C22.22

Proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance technologies for manufacturing packaging products from recycled plastics. Hera's subsidiary, Aliplast, is the eligible company within the group for producing packaging goods from recycled plastics in primary form.

Opinion **Key findings**

Substantial contribution: Technical screening criteria assessment

We consider Hera's financing for the manufacture of plastic packaging goods as aligned with the TSC for a substantial contribution to circular economy under the EU Taxonomy.

✓

- In 2024, Aliplast's polyethylene film products contained an average of 84% recycled plastic, with individual items ranging from 50% to 100%, and 95% of packaging by weight derived from post-consumer material across all product lines. All eligible projects financed will adhere to these thresholds and be implemented at Aliplast's facilities. The company operates a closed-loop system for polyethylene film, collecting post-consumer waste from its customers--who also serve as suppliers--ensuring traceability and circularity.
- The issuer confirms that packaging units meet the minimum recycling targets set by Directive 94/62/EC, with collection, sorting, and recycling proven to function effectively at scale in jurisdictions representing over 100 million inhabitants.
- Hera informed us that the packaging is designed for recyclability and does not contain any substances listed under Requirement 3, with all polyethylene film products complying with REACH and CLP regulations. Hera states that no bioplastics or compostable plastic materials are used in its packaging applications.

DNSH: Technical screening criteria assessment

According to the TSC, this activity must not harm climate mitigation, climate adaptation, water, pollution prevention, and biodiversity. For climate adaptation, water, and biodiversity, further information is provided in the generic DNSH section.

- We view the requirements for climate mitigation on life cycle emissions for plastics manufactured from chemical recycling and from sustainable biowaste feedstock as not applicable. Aliplast relies only on mechanical recycling for plastics in primary production. The issuer confirms that Aliplast does not rely on biowaste feedstock.

✓

- Regarding the pollution prevention DNSH criteria, we view the requirements as met. The issuer states that the products adhere to the REACH Regulation (Regulation (EC) No 1907/2006) and the CLP Regulation (Regulation (EC) No 1272/2008), which govern the safe use and classification of substances. Furthermore, no substance from Appendix C of the EU Taxonomy appears to be used. The issuer confirms it performs annual analyses to verify the absence of these substances and to ensure conformity with BAT and AEL as set out in the relevant conclusions and reference documents, with periodical updates. Similar processes, through monitoring and review of the authorization processes, are implemented to ensure that no significant cross-media effect occurs.

5.1 - Construction, extension, and operation of water collection, treatment, and supply systems – NACE codes: E36.00 and F42.99

Although the issuer does not commit that the share of future allocations to this activity will be the same, more than 36% of past green bond proceeds, from 2023 to 2025, were allocated to water collection, treatment, and supply systems. Proceeds may be used to refinance existing plants or new plants that meet the applicable TSC. Hera aims to finance projects and technologies related to the water supply system in Italy.

Opinion	Key findings
Substantial contribution: Technical screening criteria assessment	
✓	We consider financing for the construction, extension, and operation of water collection, treatment, and supply systems as aligned with the TSC for substantial contribution to climate change mitigation. • The issuer confirms that the net average energy consumption for abstraction and treatment is 0.41–0.42 kWh/cubic meter, below the 0.5 kWh/cubic meter threshold. Hera informed us that leakage is measured using the ARERA M1a indicator, reporting linear leakage of 5.91 mc/km/day, well below the ARERA A-class benchmark of 12 mc/km/day and consistent with the Infrastructure Leakage Index best-practice equivalence set out in Directive 2020/2184. The issuer confirms that these metrics are applied at water supply zone level or equivalent and that measurement methods align with national regulation and Article 4 of Directive 2020/2184. Hera commits to continue monitoring energy consumption and leakage performance across financed works and to report any material changes.
DNSH: Technical screening criteria assessment	
✓	According to the TSC, this activity must not harm climate adaptation, water, and biodiversity. The circular economy and pollution prevention DNSH objectives are not applicable for this eligible economic activity. For climate adaptation, water, and biodiversity, further information on alignment is provided in the generic DNSH section.

5.3 - Construction, extension, and operation of wastewater collection and treatment - NACE codes: E37.00 and F42.99

Although the issuer does not commit that the share of future allocations to this activity will be the same, more than 23% of past green bond proceeds, from 2023 to 2025, were allocated to wastewater collection and treatment. Proceeds may be used to refinance existing plants or new plants that meet the applicable technical screening criteria. Hera aims to finance projects and technologies related to the waste water collection and treatment system in Italy.

Opinion	Key findings
Substantial contribution: Technical screening criteria assessment	
✓	We consider the issuer's financing related to wastewater collection and treatment as aligned with the EU Taxonomy's TSC for a substantial contribution to climate change mitigation. • Hera confirmed that all eligible treatment plants operate below the net energy consumption thresholds defined by capacity class, with values not exceeding 35, 25, or 20 kWh per population equivalent per annum, depending on the plant size. This alignment does not extend to facilities operated by AAA, part of the group, which do not meet these thresholds and therefore are not eligible. The issuer shared that the net energy consumption of the operation of the wastewater treatment plants does not take into account measures relating to source control or energy generation within the system. • The issuer has developed a structured methodology for assessing direct greenhouse gas emissions, in collaboration with the Università Politecnica delle Marche and in accordance with ISO 14064-1:2019. This methodology covers all operational plants and is updated biennially, with results available to stakeholders upon request.
DNSH: Technical screening criteria assessment	
✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention and biodiversity. The circular economy DNSH objectives are not applicable for this eligible economic activity. For further details on the climate adaptation and biodiversity alignment with the DNSH requirements, please refer to the information provided in the generic DNSH section. • We consider the Hera's wastewater treatment activities as aligned with the criteria set out in Appendix B of the regulation's annex, as detailed in the generic DNSH section. However, we consider not applicable the requirement on risk management action definition and implementation. Hera informed us that only indirect reuse of water for agricultural activities could occur,

while direct reuse of treated wastewater for agricultural irrigation is not in place. Therefore, as the water is not treated specifically for agricultural reuse, we view the requirement not applicable.

- We consider the issuer's wastewater treatment activities to be aligned with the EU Taxonomy's DNSH criteria for pollution prevention. All agglomerations and associated plants comply with Council Directive 91/271/EEC, with discharges meeting applicable EU and national standards. Measures to mitigate excessive stormwater overflows are implemented through compliance checks under regional regulation, though stormwater management itself falls outside the issuer's operational scope. Sludge management aligns with Directive 86/278/EEC, with indirect agronomic recovery in place and landfill disposal significantly reduced. Direct agricultural application is not practiced.

4.1 - Electricity generation using solar PV technology – NACE codes: D35.11 and F42.22

Although the issuer does not commit that the share of future allocations to this activity will be the same, we note close to 5% of the issuer's past green bond proceeds, from 2023 to 2025, were allocated to solar PV projects. Proceeds may be used to refinance existing plants or new plants that meet the applicable technical screening criteria.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	• We consider Hera's financing related to electricity generation using solar PV technology aligned with the TSC for a substantial contribution to the EU' s climate mitigation objective.
	DNSH: Technical screening criteria assessment
	According to the EU Taxonomy, this activity must not harm EU climate adaptation, the circular economy, and biodiversity objectives. We consider the issuer's activity to be aligned with the DNSH TSC for climate adaptation, circular economy, and biodiversity (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation and biodiversity).
✓	• Regarding the circular economy DNSH, Hera relies on its supplier selection mechanisms to ensure the high durability and recyclability of used equipment and components. Such mechanisms favor suppliers offering equipment has that an demonstrates high durability. Concerning the decommissioning of solar panels, Italy's regulation, in line with the EU's waste from electrical and electronic equipment directive, requires producers and distributors to ensure collection, transport, treatment, and recovery of such materials.

4.9 - Transmission and distribution of electricity – NACE codes: D35.12 and D35.13

Although the issuer does not commit that the share of future allocations to this activity will be the same, more than 14% of past green bond proceeds, from 2023 to 2025, were allocated to electricity distribution networks. Proceeds will be used for the enhancement of existing networks, notably to facilitate the integration of renewable power sources, including the financing of electricity smart meters. The group companies that manage the distribution services are InRete and AcegasApsAmga.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the transmission and distribution of electricity aligned with the TSC for a substantial contribution to the EU's climate mitigation objective. • For the financing and refinancing of smart grids, Hera confirms that the system is the interconnected European system, • All investments will relate to existing networks and the company confirms that proceeds will not be dedicated to financing connections to high-emitting end users (above 100 g CO_2/kWh) or those associated with fossil fuel activities, and • The proceeds will also be used to finance the installation of equipment, including 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.

DNSH: Technical screening criteria assessment

✓	According to the EU Taxonomy, this activity must not harm EU climate adaptation, circular economy, pollution prevention, and biodiversity objectives. We consider the issuer's activity to be aligned with the DNSH TSC for climate adaptation, circular economy, pollution prevention, and biodiversity (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation and biodiversity). • Hera has confirmed a waste management plan is in place to ensure maximum reuse or recycling at end of life in accordance with the waste hierarchy. • This activity focuses on existing distribution networks and thus, it will not involve construction or exposure to overground high-voltage lines. We consider this pollution prevention TSC not applicable for this specific case. • InRete and AcegasApsAmga launched a campaign before 2010 to identify transformers containing polychlorinated biphenyls (PCBs) exceeding the threshold set by EU legislation on persistent organic pollutants. This analysis was followed by a replacement plan. Since then, group companies have not purchased any transformers with PCBs above the regulatory threshold, and the current policy is to replace any PCB-containing transformers found with PCB-free alternatives.

4.14 - Transmission and distribution networks for renewable and low-carbon gases – NACE codes: D35.22, F42.21, and H49.50

The maximum share of hydrogen that can currently be blended in the gas distribution networks is 2%, according to Italian regulation. Under this activity, Hera plans to finance retrofits to existing infrastructure to make it compatible with the integration of higher volumes of hydrogen and other low-carbon gases. Hera is involved in various feasibility studies in cooperation with the Ministry of the Environment and Energy Security and the Italian Gas Committee to determine to what extent networks can support higher shares of hydrogen in the gas blend.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider the financing related to the transmission and distribution networks for renewable and low-carbon gases as aligned with the TSC for a substantial contribution to the EU' s climate change mitigation objective. Hera's projects aim to support the decarbonization of the existing gas system to accommodate potential higher use of hydrogen and other renewable gases in the future. Hera's financing under this activity meets the following eligibility criteria for EU Taxonomy alignment: • The 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 gases in the gas system. • Hera addresses the risk of methane leakage through regular inspections and technological tools to better predict potential intervention needs. In 2024, 61.8% of the high- and medium-pressure network and 70.6% of the low-pressure network were inspected, well above the minimum requirements set by Italian regulators. The issuer informed us that such inspections have contributed to the decrease in overall leakages in the network. The company uses AI-based systems and predictive platforms to guide its monitoring activities.

DNSH: Technical screening criteria assessment

✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity conservation efforts. The circular economy EU objective is not applicable for this eligible economic activity. We consider the issuer's activity to be aligned with the DNSH TSC for climate adaptation, water, and biodiversity (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation, water, and biodiversity). • Regarding the pollution prevention DNSH TSC, the issuer considers these criteria not applicable to its projects. The construction of fixed installations such as gas cabins or cylinders is not planned for this activity. The issuer further clarified that rotating machines such as fans and compressors are not included in gas distribution. The only exceptions would include the installation of small circulation pumps in specific substations, in which case the issuer confirms the pumps are compliant with Directive 2009/125/EC.

4.15 - District heating and cooling distribution – NACE code: D35.30

The issuer will finance the district heating and cooling distribution networks related to three systems which meet the applicable TSC according to the issuer. This relates to the Ferrara, Bologna, and Forli networks. These systems represent 41% of the Hera group's overall district heating and cooling networks.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	The projects assessed for this economic activity involve the construction, operation, and refurbishment of pipelines and associated infrastructure for the distribution of heating and cooling, adhering to the efficiency standards outlined in Article 2, point 41, of Directive 2012/27/EU. To be considered efficient district heating and cooling, Hera's assets must use a minimum of 50% renewable energy, 50% waste heat, 75% cogenerated heat, or a combination thereof, in line with the climate mitigation substantial contribution criteria. • The primary source of energy used at the Ferrara plant is geothermal, thus meeting the renewable energy threshold for alignment. The Forli and Bologna networks are also considered aligned due to the high share of cogeneration at their respective waste-to-energy plants.
	DNSH: Technical screening criteria assessment
✓	According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity conservation efforts. The circular economy EU objective is not applicable for this eligible economic activity. We consider the issuer's activity to be aligned with the DNSH TSC for climate adaptation, water, and biodiversity (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation, water, and biodiversity). • Regarding the pollution prevention DNSH TSC, the issuer considers these criteria not applicable to its projects. Notably the construction of fixed installations such as gas cabins, cylinders or other is not planned for this activity. The issuer confirmed stated that rotating machines (such as fans and compressors) are not included in the pipelines.

4.22 - Production of heat/cool from geothermal energy – NACE code: D35.30

A minor amount of the proceeds might be allocated toward the Ferrara geothermal plant, notably with the aim to increase its capacity.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the production of heat and cool from geothermal energy as aligned with the TSC for a substantial contribution to the EU's climate mitigation objective. • The Ferrara plant produces heat/cool from geothermal energy and the life cycle greenhouse gas emissions from the generation of heat/cool from geothermal energy were measured at 7.675 g CO_2e/kWh, well below the alignment threshold of 100 g CO_2e/kWh. • Such life cycle greenhouse gas emissions were calculated using project-specific data and the ISO 14067:2018 standard. • The issuer confirmed that an independent third party verified the quantification the plant's life cycle emissions intensity.
	DNSH: Technical screening criteria assessment
✓	According to the EU Taxonomy, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity. We consider the issuer's activity to be aligned with the DNSH TSC for climate adaptation, water, and biodiversity (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation, water, and biodiversity). • Regarding pollution prevention, the issuer confirmed the criteria do not apply to the eligible project because the Ferrara Geothermal Plant is low-enthalpy and not high-enthalpy and there are no atmospheric emissions.

7.3 - Installation, maintenance, and repair of energy efficiency equipment – NACE codes: F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, and C33.12

A minor amount of the proceeds can be allocated toward the installation and maintenance of energy efficient technologies, notably by Hera's subsidiaries HSE and Hera Comm.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the installation, maintenance, and repair of energy efficiency equipment as aligned with the TSC for a substantial contribution to the EU's climate mitigation objective. • The financed activities encompass the addition of insulation to existing envelope components and the installation and products for the application of that insulation. They also include the replacement of existing external doors with new energy efficient ones. • The financing will also include the replacement, maintenance, and repair of heating, ventilation, air conditioning, and water heating systems, including equipment for district heating services, using highly efficient technologies. • Hera confirmed that lighting appliances are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369. • The issuer also confirmed that measures provided in the energy saving condominium and installation of insulation for public administration 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.
	DNSH: Technical screening criteria assessment
✓	According to the EU Taxonomy, these activities must not harm the EU's climate adaptation and pollution prevention objectives. We consider this activity as aligned with the DNSH TSC for climate adaptation and pollution prevention (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation, and pollution prevention). • The company confirms building components and materials comply with the criteria set out in Appendix C. • Regarding the handling of asbestos, Hera specified that a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. The issuer also clarified that this requirement is not applicable to Hera Comm because its activities do not contain any construction materials listed in Appendix C.

7.5 - Installation, maintenance, and repair of instruments and devices for measuring, regulating, and controlling the energy performance of buildings – NACE codes: F42, F43, M71, C16, C17, C22, C23, C25, C27, and C28

A minor amount of the proceeds could be allocated toward the installation, maintenance, and repair of energy performance instruments and devices for buildings. We understand from the issuer this will mostly concern smart meters for gas.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the installation, maintenance and repair of instruments and devices for measuring, regulating, and controlling energy performance of buildings aligned with the TSC for a substantial contribution to the EU's climate mitigation objective. • The financing involves the installation, maintenance, and repair of smart meters for gas, heat, cooling, and electricity.
	DNSH: Technical screening criteria assessment
✓	According to the EU Taxonomy, these activities must not harm the climate adaptation EU objective. We consider this issuer's activity as aligned with the DNSH TSC for climate adaptation (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation).

7.6 - Installation, maintenance, and repair of renewable energy technologies – NACE codes: F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28

A minor amount of the proceeds could be allocated toward the installation and maintenance of renewable energy technologies, notably by HSE and Hera Comm.

Opinion	Key findings
	Substantial contribution: Technical screening criteria assessment
✓	We consider Hera's financing related to the installation, maintenance, and repair of renewable energy technologies as aligned with the TSC for a substantial contribution to the EU's climate mitigation objective. • The financing includes the installation, maintenance, and repair of solar PV systems, solar hot water panels, heat pumps, and thermal or electric energy storage along with the associated technical equipment for these technologies.
	DNSH: Technical screening criteria assessment
✓	According to the EU Taxonomy, these activities must not harm the climate adaptation EU objectives. We consider this issuer's activity as aligned with the DNSH TSC for climate adaptation (please see the generic DNSH table for the analysis of the DNSH criteria on climate adaptation).

Analysis of the generic DNSH

Aligned = ✓ Not aligned = ✗

Opinion	Environmental objective	Key findings
✓	Climate adaptation	Hera demonstrates compliance with the generic DNSH requirement for climate change adaptation by following a robust, systematic risk assessment and management process. The group's ERM process annually incorporates and extends its focus to long-term climate-related risks, consistent with the recommendations of the Task Force on Climate-related Financial Disclosures. The 2025 climate risk assessment used open-source tools and maps and was based on the IPCC's RCP 8.5 scenario, evaluating risk exposure across the relevant time horizons of 2030 and 2050, which align with the long lifespan of the group's assets. This assessment identified eight material physical climate risks (including drought, hydraulic risk, flooding, and extreme weather events) affecting the group's economic activities. In response, Hera has defined 21 specific management methods to mitigate, manage, and transfer these risks, such as infrastructure strengthening and network resilience plans. Furthermore, the group's engineering company ensures that adaptation measures are integrated into the design phase of new works, for example, by sizing cooling systems for higher temperatures and designing electrical substations to avoid flooding. Hera plans investments to enhance the resilience of its managed assets, confirming that both new and existing assets are actively being adapted to climate change and do not negatively affect the adaptation efforts of others.
✓	Sustainable water	Hera conducts EIAs that identify water risks, and it complies with all relevant legislation regarding the preservation of water quality and the achievement of good water status and good ecological potential. The company applies measures to compensate for the loss of ecosystems during construction through restoration in the project environment. Hera's approach aligns with Italian regulations, which require EIAs for activities that may pose significant environmental risks, including those related to water quality conservation and prevention of water stress, as defined by the EU Taxonomy (Regulation (EU) 852/2020).
✓	Pollution prevention	Hera confirms that its activities comply with the EU Taxonomy's generic DNSH criteria for pollution prevention and control. The group ensures that none of its operations result in the manufacture, placing on the market, or use of substances listed under points (a) to (f) of the relevant regulations, including those identified in Annexes to Regulations (EU) 2019/1021, 2017/852, 1005/2009, Directive 2011/65/EU, and Regulation (EC) 1907/2006. The issuer further shares that compliance is verified through internal controls and documentation aligned with regulatory standards.
✓	Biodiversity protection	For all projects in scope of financing, Hera ensures compliance with local environmental regulations by completing EIAs, where required by law, or through an authorization from other national

	regulations addressing biodiversity. For sites and operations located in or near biodiversity-sensitive areas, Hera conducts biodiversity impact assessments, defining potential impact risks and corresponding mitigation actions. In case significant environmental impact is detected, corrective actions are defined, considering technical and economic feasibility. The identification of risks and opportunities also entails the creation of dedicated action plans.

Minimum safeguards assessment at issuer level

Aligned = ✓ Not aligned = ✗

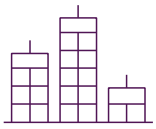
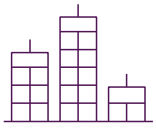
Opinion	Key findings
✓	• Hera commits to promoting and upholding human rights, establishes the mandatory principles of conduct for employees, as well as the need for the group to have the necessary procedures and governance systems to guarantee respect for human rights with respect to its businesses and supply chain. • Through the company's code of ethics, Hera commits to carry out activities in compliance with the United Nations Guiding Principles, the principles of the U.N. Universal Declaration of Human Rights, the Convention of the International Labor Organization, and the OECD guidelines for multinational companies. Hera has established a human rights due diligence process in the context of the SA8000 certification, to ensure the identification of actual and potential impacts on human rights, in both its own activities and on suppliers and business partners, the integration of correction actions, related follow-ups and inspections. • Hera carries out a human rights risk analysis at its main locations of operation in Italy and Bulgaria, through the risk mapping part of the group's ERM system. Through the ERM approach, risk exposure assessments and risk mapping of potential issues of group companies are carried out systematically every year, including exposure to breaches on human rights. The issuer states that the 2024 risk assessment showed a negligible exposure to social risks. This assessment is performed on different dimensions, including child labor, forced or compulsory labor, human trafficking and modern slavery, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, and equal remuneration. The risks mentioned were assessed for its own operations, supply chain and in due diligence processes related to mergers and acquisitions, and joint ventures. Within the assessment, the groups identified as more exposed to such risks are employees, local communities, third-part contracted labor, migrant workers, indigenous people, and children. The company has developed mechanisms to file complaints and grievances, and has multiple channels for reporting breaches, including by post, email, and a web tool for anonymous reporting. These channels are accessible to all stakeholders, including employees, suppliers, customers, and private citizens. Information on human rights risk management can be found in Hera's consolidated financial report, which it publishes annually on its website. • Regarding corruption, Hera commits to acting with integrity and rejecting any form of undue advantage or bribery, as stated in its code of ethics. It has published two anti-corruption models: the Organisational Model 231, in line with Italian Legislative Decree 231, ensuring transparency in business conduct; and the anti-bribery and corruption model, which defines active and passive corruption and sets preventive measures for dealings with public officials, customers, suppliers, and business partners. Related risk management is overseen by the internal audit department, while the supervisory board monitors compliance and preventive actions. The internal audit team continuously monitors high-risk areas, such as public tenders, license applications, and administrative authorizations, with risk mapping updated every three years. The company provides training to all employees, specifically focusing on timely and comprehensive sessions about anti-corruption Laws for those exposed to corruption risk. This training aims to ensure staff understand various offenses, personal responsibilities, potential consequences, and the preventive actions detailed in the company's code of ethics. • Hera commits to maintaining an internal tax risk control system (tax control framework) consistent with OECD guidelines and the principles set by the Italian Revenue Agency. The issuer has formalized a tax strategy to guide the identification, management, and monitoring of tax risks, framed by its code of ethics to ensure transparency and compliance. Major group companies have implemented this framework to systematically manage tax risk, while the board of directors annually reviews progress in this area. Hera also commits to complying with OECD Transfer Pricing Guidelines, adopting the three-tier documentation approach (master file, local file, and country-by-country report) in line with domestic regulations. • Within its code of ethics, Hera guarantees integrity and fairness in stipulating and executing contracts within its business relations, including committing to fair competition, with the commitment being applied company-wide, including procurement and agency contracts. The issuer informed us that annual trainings on the code of ethics are provided to its employees, mandating the group to adhere to all applicable regulatory requirements and reject any anti-competitive practices. Furthermore, for senior management, trainings are provided on the model 231 programs, which address sensitive areas such as antitrust and competition risks.

- Following the European Commission's recommendations on minimum safeguards and based on the company's confirmation, Hera has not been convicted under any of the four core topics of the minimum safeguards.

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the SDGs, we consider which SDGs it contributes to. We compare the activities funded by the financing to the ICMA SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Sustainable water and wastewater management	 **6. Clean water and sanitation***	 **14. Life below water**	 **13. Climate action**
Circular economy and pollution prevention and control	 **11. Sustainable cities and communities***	 **12. Responsible consumption and production***	 **13. Climate action**
Energy efficiency and energy infrastructure	 **11. Sustainable cities and communities***	 **7. Affordable and clean energy***	 **13. Climate action**

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- Analytical Approach: EU Taxonomy Assessment, Oct. 31, 2024
- Analytical Approach: European Green Bond External Reviews, Oct. 31, 2024
- FAQ: Applying Our Analytical Approach For European Green Bond External Reviews, Oct. 31, 2024

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