

Luxembourg, 12 July 2023

Environmental and Social Data Sheet

Overview

Project Name: *HERA ENVIRONMENTAL SUSTAINABILITY*
 Project Number: *2023 0006*
 Country: *Italy*
 Project Description: *Financing of 2023-2028 multi-utility investments.*

EIA required: *yes*

Project included in Carbon Footprint Exercise¹: *yes*

(details for projects included are provided in section: “EIB Carbon Footprint Exercise”)

Environmental and Social Assessment

Environmental Assessment

The Project consists of HERA’s (Holding Energia Risorse Ambiente) SpA, (“the “Promoter” or “HERA”) multi-scheme investment programme in the energy, water and wastewater and solid waste sectors in four Italian regions: Piemonte, Emilia Romagna, Veneto and Friuli Venezia Giulia, serving 256 municipalities and circa 4 million customers. The Promoter operates in the waste, water, energy retail, gas and electricity distribution, and investments will concern these areas as well as district heating and public lighting. In Italy, HERA is the largest waste operator by waste treated, the second operator in the water sector by water supplied, the third operator in retail energy by customers, the fourth operator in gas distribution, and the fifth operator in electricity distributed. Hera owns and operates electricity capacity from PV (2.1 MW), waste-to-energy plants (126.6 MW), cogeneration (143.7 MW) and turboexpanders (8.4 MW), 47.5 MW of biogas and biomethane production capacity, as well as thermal energy production capacity amounting to 960.8 MW (of which 14 MW from geothermal). HERA was created in 2002 out of a merger of 11 multi-utility companies and has followed a steep growth trajectory through circa 40 mergers and acquisitions since its creation. The Promoter of the Project is HERA SpA, that will implement the various investments through its operating subsidiaries, including AcegasApsAmga, Uniflotte Srl, Aliplast SpA., Herambiente SpA, HERA SpA, and INRETE SpA.

Water

The activities of HERA group in the various integrated water service concessions that they are implementing are under the supervision of the conference of mayors (Autorità d’Ambito dell’ATO) and the national economic regulator (“ARERA”). In terms of environmental regulation, the Regional Agency for Environmental Protection and Prevention of Emilia Romagna, Friuli Venezia Giulia and Veneto (ARPA Emilia Romagna, ARPA Friuli Venezia Giulia and ARPA Veneto) are mainly responsible for monitoring the quality of water bodies. The Health Authority is responsible for monitoring compliance with the drinking water quality standards.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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The works to be funded fall within the concessions' contractual investment programmes (Piano d'Ambito) and include a wide variety of investments: upgrades and extensions to water abstraction and treatment facilities, water distribution networks, sewage collection networks and sewage treatment facilities. The main frameworks for the investment plans are the various Piano d'Ambito's but they are also fed through various other plans (Water Safety Plan, Development Plan of the Region and the Shareholding Municipalities).

The analysis presented by the Promoter concludes that the Project will deliver substantial environmental quality improvements in the form of a higher ecological quality of surface and ground water resources and a more rational use of water resources that outweigh the negative impacts, which occur mainly during construction (e.g. noise, dust, traffic). The Project would ensure compliance with regional environmental law and the Urban Wastewater Treatment Directive 91/271/EEC in the Promoter's service area.

The Promoter informs that none of the works will be implemented inside or near Natura 2000 areas. As of now, there are two schemes that fall under Annex II of the Environmental Impact Assessment ("EIA") Directive 2014/52/EU amending the EIA Directive 2011/92/EU and have been screened in by the competent authority (the Region in both cases) on the basis of the criteria defined in Annex II of the EIA Directive. Their Environmental Impact Assessment processes are currently underway.

Waste

The solid waste sector component of this operation comprises investments that form part of the Promoter's strategic 2023-2026 investment plan aimed at: i) increasing the separate collection and recycling rates in line with regional targets and ii) increase the capacity for waste treatment, recycling and recovery. The investments comprise: new waste collection containers primarily for separate collection of recyclable materials and bio-waste, and to some extent also for residual waste; renovation of existing and construction of new waste collection centres; two new plastic recycling plants; a new carbon fibre recycling plant; and a new hazardous industrial waste pre-treatment and storage plant aimed at increasing the amount of hazardous waste recovered.

The waste components will be developed in line with relevant national and regional waste management strategies with ambitious targets for separate collection and recycling. They respond to new market opportunities for recycling plastics and pre-treating hazardous waste. The regional waste management plan in Emilia Romagna, where most of the Project components will be implemented, has been subject to a Strategic Environmental Assessment.

The Project aims to assure long term compliance with relevant environmental standards, increase recovery and recycling of plastics and carbon fibre, and increase the share of hazardous waste for recovery in a waste incineration plant and reduce emissions and climate change impact. The Project components are expected to contribute to compliance with the Waste Framework Directive (2008/98/EC), the Packaging and Packaging Waste Directive (94/62/EC) and the Landfill Directive (1999/31/EC), as amended, by ensuring continued diversion of waste from landfills and by increasing materials and energy recovery from waste.

One of the waste components is located inside or near Natura 2000 areas. The Appropriate Assessment has been carried out and the Competent Authority conclusion is expected in June 2023.

One of the waste components falls under Annex I of the Environmental Impact Assessment ("EIA") Directive 2014/52/EU amending the EIA Directive 2011/92/EU. The Environmental Impact Assessment process is underway with a decision expected in June 2023. Two components fall under Annex 2 of the EIA Directive, of which one has been screened out. For the other component, the EIA process has not yet started.



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Energy

Solar PV plants. The Promoter's Project schemes will be largely developed in their own sites (including water plants, wastewater treatment plants and decommissioned landfills). Solar PV plants fall under Annex II of the EIA Directive 2011/92/EU as amended by Directive 2014/52/EU, requiring the competent authorities to determine whether an EIA is required. Based on national legislation (legislative decree 77/2021) the screening decision is only required for capacity above 10 MW and included in the MISE decree 10 September 2010 (National Guidelines). Decree 17/2022 increased the threshold for screening decisions to 20 MW.

EIA screening for the PV plant in Ravenna is expected. The PV plant in Bondeno underwent a full EIA assessment. In February 2023, Emilia Romagna Region authorised the PV plant in Bondeno, and considered prevention and remediation actions concerning archaeological protection, the impact of noise, water resources and land access. Depending on final design choices or on the land use definition, other PV plants may require EIA screening.

The Promoter does not envisage the installation of the PV capacity within Natura 2000 sites. The PV production sites will be in sites already owned by the Hera Group. The PV plants in the water production sites will be approved by the regional water regulator.

Grid connection was requested where necessary, in the absence of sufficient existing connections at the Promoter's own sites. Some minor works may require extending connection capacity. Rights of way may be necessary for short electric cables for two PV projects. Opinions from relevant Authorities concerning cultural heritage and landscape will be requested as required.

Impacts on the environment from PV plants are likely to stem from noise, dust and increased traffic during the construction phase and from visual and land use impacts during operation. These impacts are unlikely to cause any significant negative residual effects to the environment. The Promoter has limited experience with photovoltaic renewable energy. The Promoter's PV capacity is expected to increase to 85 MW by the end of 2026. However, based on the overall capabilities of the Promoter and on the information provided, the capabilities to implement and operate renewable energy projects in compliance with environmental and social topics is expected to be good.

District heating. District heating components may fall under Annex II of the EIA Directive 2011/92/EU as amended by Directive 2014/52/EU, requiring the competent authorities to determine whether an EIA is required.

The extension of geothermal capacity will take place in the geothermal concession "Ferrara – pozzi Casaglia". An EIA was undertaken in 2018 in the context of the reassignment of the original concession. The original EIA set a number of environmental conditions. The concession is subject to monitoring requirements for seismicity and for the piezometric monitoring of the aquifers. In the context of the new capacity extension, some private easements are expected. The Promoter has significant experience with district heating. For the extension of geothermal capacity in Ferrara, a new "Provvedimento Autorizzativo Unico Regionale" will be required based on Regional law 4/2018, which will entail an additional EIA procedure.

For the district heating network investments in Bologna, the "Autorizzazione Unica Ambientale" is required and is in progress. The Promoter manages district heating systems in the areas of Bologna, Cesena, Ferrara, Forli, Imola and Modena. In relation to the geothermal plant, the Promoter is associated with Enel Green Power in a Temporary Grouping of Companies; Enel Green Power has significant experience with geothermal assets in Italy.

Electricity networks. The Project schemes include six primary substations and the installation of smart meters. The plan will be developed in the territory over which INRETE and AcegasApsAmga will carry out electricity service and corresponds to 24 municipalities in the territories of Modena and Imola and the territories of Gorizia and Trieste. Given their characteristics and typical impacts and considering the EIA-screening criteria set out in the national legislation, the Promoter at this stage expects that none of these schemes will require



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a full EIA. For the investment in primary substations, the Promoter has undertaken or planned to undertake any urban planning, land destination, land acquisition and single authorisation requirement.

As regards the deployment of second-generation smart meters, the main impacts are the electromagnetic radiation resulting from the communication technology used for collecting the information from the meters, and the disposal of the existing meters that are being replaced. The telecommunication system will use PLC (Power Line Carrier) technology. Assessments of advanced meter systems in Italy as well as in other countries have found radiation exposures that are small in relation to the limits in the ICNIRP guidelines (International Commission on Non-Ionizing Radiation Protection). Regarding the disposal process of the meters, it will be done in line with the national legislation.

The Promoter is an experienced operator in the electricity distribution sector.

Paris alignment

The Project is "Paris aligned" as it is coherent with low carbon and resilience objectives.

Carbon footprint calculation

The Project absolute and relative CO₂ emissions fall above the carbon footprint exercise thresholds. The estimated absolute and relative emissions are provided below for information:

Sector	Absolute emission (ktCO₂/ year)	Relative emission (ktCO₂/year)
Energy	5.9	-34.3
Water	10.6	-15.2
Waste	15.8	-52.8

The water sector contribution stems from two plants that will be substantially rehabilitated and upgraded: a sludge furnace that is used for producing district heating and a wastewater treatment plant. As we can see the rehabilitation and the upgrading will allow the Promoter to reduce the CO₂ emissions.

The waste sector contribution stems from the construction of recycling plants (plastic, LDPE and carbon fibre) and the construction of a hazardous waste pre-treatment plant. The impact of these plants will be a reduction of CO₂ emission.

For the energy sector, the source of CO₂e emissions are the additional fuel consumption for heat production and any losses associated with incremental supply in the energy networks. CO₂e emission savings stem from reduced electricity network losses (due to investments in primary substations) as well as avoided emissions from alternative heat sources (gas boilers) and power generation (from combined cycle gas turbine (CCGT) plants).

For the annual accounting purposes of the EIB Carbon Footprint, the Project emissions will be prorated according to the EIB lending amount signed in that year, as a proportion of Project cost.

EIB Paris Alignment for Counterparties (PATH) Framework

HERA group. (HERA), is an important Italian multi-utility that operates in the waste, water, energy retail, gas and electricity distribution. It is in scope and screened in with regards to the EIB Paris alignment for counterparties framework (PATH). HERA already meets the requirements of the PATH framework with its existing alignment plans because it meets the EIB requirements on decarbonisation plan for scope 1 and 2 (well below the 2°C target) according to the SBTi (Science Based Targets Initiative) and its decarbonisation plan that is publicly available.



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Social Assessment

By increasing the quality and reliability of water and wastewater collection and treatment services, the conclusion of the assessment is that the Project will bring substantial health advantages and environmental quality improvements to the affected population, thereby increasing the quality of life in the Project area. Negative social impacts would be only temporary (e.g. occupation of public and private space, safety hazards during construction, traffic, noise) and will be addressed as part of the planning for the implementation of each scheme.

Recent reports are pointing out the possibility of use of forced labour in the supply chain of solar PV panels. The Promoter has a Policy on Respect for Human Rights, is SA8000 certified and undertakes an annual due diligence on human rights which also covers supplier-related risks. The Promoter has reinforced its assessment process on supply chain sustainability, including on key aspects like forced labour and ethical practices. The Promoter shall ensure that the supply chain of the solar PV panels used in the Project is compliant with the applicable provisions of the relevant labour standard of the Bank and avoids the use of forced labour. The Bank will assess this as part of the monitoring process.

Public Consultation and Stakeholder Engagement

The Promoter will be requested to ensure compliance with national and European environmental legislation, notably to facilitate public access to environmental information and guarantee public consultation during the environmental decision process, where relevant, in accordance with the Aarhus Convention.

Other Environmental and Social Aspects

During the Project's due diligence, the Promoter has demonstrated sound practices with respect to environmental, health and safety management. In addition to procedures to meet regulatory requirements, the Promoter has a comprehensive environmental management system which is applied to new Projects and monitors ongoing operations. The Promoter has the following certifications: ISO 9001 (Quality Management Certification), ISO 14001 (Environmental Management Certification), OHSAS 18001 (Occupational Health and Safety Management), and ISO 50001 (Energy Management certification).

Conclusions and Recommendations

The Project is largely driven by the requirement to ensure compliance with relevant EU environmental directives and policies. It will contribute towards improved climate resilience and emissions reductions. All schemes under the Project will be subject to the Promoter's compliance with the following requirements:

1. The Promoter undertakes not to allocate Bank funds to Project schemes that require a full EIA until the EIA and/or the necessary nature assessment have been finalised and approved by the relevant competent authority. Once any EIA is available, the Promoter will provide the Bank with an electronic copy of the EIA, for publication on the EIB website.
2. The Promoter shall not commit any EIB funds against any scheme that impacts nature conservation sites, without receiving from the relevant competent authorities the declaration under Art. 6(3) of the Habitats Directive that there are no significant effects and informing the Bank of such declaration having been obtained.
3. The Promoter undertakes to provide to the Bank, if requested, any decision and subsequent justification that screen out Project schemes from the requirement of a full EIA as well as the decisions issued by the competent authorities regarding the Habitats and Birds Directives.



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4. Following the PATH framework, the Promoter will not directly or indirectly invest in or implement any New Incompatible Activities (which for the avoidance of doubt includes the Borrower, or any member of its Group, acquiring shares in entities which invest in New Incompatible Activities).
5. The Promoter shall not engage in any oil production and where reasonably practicable, apply best practices on methane loss reduction.
6. The Promoter warrants and represents to the Bank that it is in compliance with, and conforms its operating procedures to, Hera's Code of Ethics and Human Rights Policy. The Promoter will deliver the outcome of the due diligence in the supply chain of PV modules including supply chain mapping to the satisfaction of the Bank.

Under these conditions, the operation is acceptable for EIB financing in environmental and social terms.