FINAL VERSION

Base Prospectus dated 7 October 2021

HERA S.p.A.

(incorporated in the Republic of Italy as a joint stock company)

€3,500,000,000 Euro Medium Term Note Programme

Under this €3,500,000,000 Euro Medium Term Note Programme (the "**Programme**"), HERA S.p.A. (the "**Issuer**" or "**Hera**" or the **"Company**", and together with its subsidiaries, the "**Hera Group**" or the "**Group**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 14.

This base prospectus has been approved as a base prospectus by the *Central Bank of Ireland* (the "**Central Bank**") as competent authority under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank should not be considered as an endorsement of Hera or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**") and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**"). The Central Bank is also requested to provide the competent authority in the Grand Duchy of Luxembourg with a certificate of such approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation (the "**Notification**"). The Issuer may request the Central Bank to provide competent authorities in additional host Member States within the EEA with a Notification.

Application has also been made to The Irish Stock Exchange plc trading as Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin's regulated market ("**Euronext Dublin**") and to be listed on the Official List of Euronext Dublin. Euronext Dublin's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU). The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets (including stock exchanges in the Grand Duchy of Luxembourg and/or in other Member States within the EEA) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Official List of Euronext Dublin, will be filed with the Central Bank. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin (https://live.euronext.com/). Copies of Final Terms in relation to Notes to be listed on other or further stock exchanges or markets (including stock exchanges in the Grand Duchy of Luxembourg, the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A. and/or in other Member States within the EEA) will be filed, notified and published in accordance with applicable law and regulation provisions. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a Drawdown Prospectus (as defined below), if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The Issuer has been rated "BBB+" (stable outlook) by S&P Global Ratings Europe Limited ("**S&P**") and "Baa2" (stable outlook) by Moody's Investors Service España (Sociedad Unipersonal) ("**Moody's**"). The Programme has been rated "BBB+" by S&P and "(P)Baa2" by Moody's. Each of S&P and Moody's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**"). As such each of Moody's and S&P is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the EU CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. Whether or not each credit rating applied for in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the EU and registered under the EU CRA Regulation, or by a credit rating agency established in the United Kingdom (the "**UK**") and registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**" and, together with the EU CRA Regulation, the relevant "**CRA Regulation**") will be disclosed in the relevant Final Terms. **A security rating and an issuer's corporate rating are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency**.

Amounts payable under the Notes may be calculated by reference to EURIBOR and amounts payable on floating rate notes issued under the Programme may, in certain circumstances, be determined in part by reference to such indices, each as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrator of EURIBOR is included on the register of administrators and benchmarks established and maintained by the ESMA pursuant to article 36 of Regulation (EU) No. 2016/1011, as amended (the "**EU Benchmarks Regulation**").

FINAL VERSION

Arranger

Mediobanca

Dealers

BNP PARIBAS

Crédit Agricole CIB

IMI – Intesa Sanpaolo

Mediobanca

Santander Corporate & Investment Banking

UniCredit

The date of this Base Prospectus is 7 October 2021

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts as at the date of this Base Prospectus and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with any Tranche of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference (see "Documents Incorporated by Reference"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the Central Bank.

No representation, warranty or undertaking, express or implied, is made by the Dealers and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. Furthermore, with respect to Notes described as "*Green Bonds*", none of the relevant Dealers will verify or monitor the proposed use of proceeds of such Notes and no representation is made by the relevant Dealers as to the suitability of the Notes described as "*Green Bonds*" to fulfil environmental or sustainability criteria required by prospective investors.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Hera Group (as defined below) and of the rights attaching to the relevant Notes and reach its own view, based upon its own judgement and upon advice from such financial, legal and tax advisers as it has deemed necessary, prior to making any investment decision.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary prior to making any investment decision. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;

(v) consider all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency; and

(vi) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Furthermore, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the Securities Act) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*" below).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, nor assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including the Republic of Italy), the United Kingdom and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes and any offer of Notes in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State or the UK of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the applicable Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation (or the UK Prospectus Regulation, as the case may be) or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation (or the UK Prospectus Regulation, as the case may be), in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the

Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / target market – The applicable Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (as amended, the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET - The applicable Final Terms in respect of any Notes will include a legend entitled "UK MiFIR product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Notwithstanding the above, any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme. Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to the Issuer at the date of this Base Prospectus or to other Notes issued under the Programme. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus. In general, European regulated investors are restricted under the EU CRA Regulation and UK regulated investors are restricted under the UK CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the relevant CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU or non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU or UK registered credit rating agency or the relevant non-EU (or non-UK) rating agency is certified in accordance with the relevant CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies

published by the ESMA on its website in accordance with the relevant CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. If the status of the rating agency rating the Notes changes, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European and UK regulated investors selling the Notes which may have an impact on the value of the Notes. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus. See also "*Risk Factors – Risks Relating to the Market – Credit ratings may not reflect all risks*".

PRESENTATION OF INFORMATION

All references in this document to *euro* and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FORWARD-LOOKING STATEMENTS

This Base Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "future", "help", "intend", "may", "plan", "project", "shall", "should", "will", "would" or the negative or other variations thereof as well as other statements regarding matters that are not historical fact. In addition, this Base Prospectus includes forward-looking statements relating to the Hera Group's potential exposure to various types of market risks. These statements are based on the Issuer's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. In addition, all subsequent written or oral forward looking statements attributable to the Issuer or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus including any document incorporated by reference herein. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

INDUSTRY AND MARKET DATA AND THIRD PARTIES INFORMATION

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Issuer and the Group's business contained in this Base Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Issuer's knowledge of its sales and markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Issuer to rely on internally developed estimates. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by this information. While the Issuer has compiled, extracted and, to the best of its knowledge, correctly reproduced market or other industry data or any other information from external sources, including third parties or industry or general publications, neither the Issuer nor the Dealers have independently verified that data. The Issuer cannot assure investors of the accuracy and completeness of, and takes no responsibility for, such data other than the responsibility for the correct and accurate reproduction thereof. The information in this Base Prospectus has been accurately reproduced and no facts have been omitted that would render the reproduced information inaccurate or misleading. However, information regarding the sectors and markets in which the Group operates may not be available for certain periods and, accordingly, such information may not be current as of the date of this Base Prospectus. All sources of such information have been identified where such information is used. Similarly, while the Issuer believes such information to be reliable and believes its internal estimates to be reasonable and confirms all information to be up to date on the date of approval of this Base Prospectus, it has not been verified by any independent sources. Undue reliance should therefore not be placed on such information. See also "*Forward-Looking Statements*", above.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

DRAWDOWN PROSPECTUS

The Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "*Applicable Final Terms*". In such circumstances, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the Group and the relevant Notes or (2) pursuant to Article 6.3 of the Prospectus Regulation, by a registration document containing the necessary information relating to the Issuer and the Group, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

INFORMATION RELATING TO "GREEN BONDS" AND SUSTAINABILITY-LINKED NOTES

If so specified in the relevant Final Terms, the Issuer may issue Notes which are categorised as "*Green Bonds*" whose net proceeds are intended by the Issuer to be applied for the purposes of financing and/or refinancing, in whole or in part, Eligible Green Projects (as defined in the "*Use of Proceeds*" section). In such circumstances, prospective investors should have regard to the information set out, or referred to, under the section of the Base Prospectus headed "*Use of Proceeds*" and/or paragraph "*Reasons for the offer – Use of Proceeds*" of the relevant Final Terms and must determine for themselves the relevance of such information, together with any other investigation such investors deem necessary, for the purpose of any investment in such Notes and its suitability also in light of their own circumstances.

The Issuer may also issue Notes which are categorised as "*Sustainability-Linked Notes*" if the Step Up Option is specified as applicable in the relevant Final Terms. Unlike Green Bonds, Sustainability-Linked Notes are not intended by the Issuer to be applied for the purposes of financing and/or refinancing, in whole or in part, "sustainable" or other equivalently-labelled projects but will be used for general corporate purposes. In such circumstances, prospective investors should have regard to the information set out under, or referred to in, Conditions 4.6 (*Step Up Option*) and 13A (*Available Information*) and the relevant Final Terms and must determine for themselves the relevance of such information, together with any other investigation such investors deem necessary, for the purpose of any investment in such Notes and its suitability also in light of their own circumstances.

In connection with the issue of "*Green Bonds*" the Issuer has published a "*Green Financing Framework*" which is available on the Issuer's website at: https://eng.gruppohera.it/documents/1514726/4185705/Green+Financing+Framework.pdf/72a048cf-305c-ac55-a4de-b943e7eb3014?t=1593611023874 (the "**Green Financing Framework**"). A second party consultant appointed by the Issuer has reviewed Hera's Green Financing Framework and issued a second party opinion on 19 June 2019 (the "**Green Financing Framework Second-party Opinion**") which is available on the Issuer's website at https://eng.gruppohera.it/documents/1514726/4185705/Second+Party+Opinion%C2%A0.pdf/b4bb4a37-48a1-f0ba-27a0-a7fa5bbfd5d4?t=1593611024206. A description of the Green Financing Framework and the Green Financing Framework Second-party Opinion are set out in the section "*Use of Proceeds*" of this Base Prospectus.

In connection with the issue of "Sustainability-Linked Notes" the Issuer adopted a framework relating to its sustainability strategy and targets to, *inter alia*, foster the best market practices and present a unified and coherent suite of sustainability-linked notes (the "**Sustainability-Linked Financing Framework**"), available at the following website: https://eng.gruppohera.it/documents/1514726/11907512/Sustainability-Linked+Financing+Framework.pdf/47b7b353-8d41-6d38-d422-525b354ed05d?t=1633085964274 in accordance with the Sustainability-Linked Bond Principles 2020 (the "**SLBP**") administered by the International Capital Market Association ("**ICMA**"), accompanied by a so-called Second-party Opinion issued by a third party (the "**Sustainability-Linked Financing Framework Second-party Opinion**"). The Sustainability-Linked Financing Framework Second-party Opinion is accessible through the Issuer's website at: https://eng.gruppohera.it/documents/1514726/11907512/Second+Party+Opinion.pdf/6780ece3-f53a-ea47-19bb-84dd144d66e7?t=1633418315358.

No assurance or representation is given by the Issuer, any other member of the Group, the Dealers or the External Verifier (as defined in the Terms and Conditions of the Notes) as to the suitability or reliability for any purpose whatsoever of any framework, opinion, report or certification of any third party in connection with any such and/or the offering of "*Green Bonds*" or any "*Sustainability-Linked Notes*" issued under the Programme. Any such framework, opinion, report or certification and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus. Prospective

investors must determine for themselves the relevance of such information, together with any other investigation such investors deem necessary, for the purpose of any investment in such Notes and its suitability also in light of their own circumstances.

In the event that any such Notes qualified as "*Green Bonds*" or "*Sustainability-Linked Notes*" are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any Dealer that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

See also "*Risk Factors – Risks related to the characteristics of Notes issued as "Green Bonds" and "Sustainability-Linked Notes"*.

ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus and the documents incorporated by reference herein contain certain alternative performance measures (the so-called APMs) which are different from the IFRS-EU financial indicators adopted by the Group and set forth in the audited consolidated annual financial statements of Hera as at and for the financial year ended, respectively, 31 December 2020 and 31 December 2019 and the unaudited interim consolidated financial statements of Hera as at and for the six months ended 30 June 2021.

Such APM are obtained directly from the audited consolidated annual financial statements of Hera as at and for the financial year ended, respectively, 31 December 2020 and 31 December 2019 and the unaudited interim consolidated financial statements of Hera as at and for the six months ended 30 June 2021. In particular, such indicators are included under the section concerning the analysis of the operating results and investments, as well as under the section concerning the analysis of the financial structure and investments of the above mentioned documents.

Hera uses such measures to express trends in the profitability of the businesses in which the Issuer operates as well as to assess the financial performance, equity and liquidity of the Issuer's business. The Issuer believes that these and similar measures are used widely by the investment community, securities analysts and other interested parties, as supplemental measures to assess liquidity and operating performance (overall and within each business unit), including comparisons between the reporting period and previous periods, and are intended to assist in the analysis of the Issuer's results of operations, profitability and ability to service debt. Such measures are used as financial targets in internal presentations (e.g., business plans) and external presentations both for analysts and investors.

APMs may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

An explanation of the relevance of each of the APMs and a reconciliation of the non-IFRS measures to the most directly comparable measures calculated and presented in accordance with IFRS is presented in the director's report incorporated by reference in this Base Prospectus.

APMs are not measures of financial performance recognized under IFRS and they should not be considered as alternatives to net income (loss) as measures of operating performance, operating cash flows, the basis for dividend distribution or as measures of liquidity. Consequently, the methodology used for their calculation may not be consistent with that adopted by other companies and, therefore, the APMs the Issuer presents

herein may not be comparable with those of others. Some of the limitations of APMs are that:

- they do not reflect the Issuer's cash expenditures or future requirements for capital investments or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Issuer's working capital needs;
- they do not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on the Issuer's debt;
- they do not reflect any cash income taxes that the Issuer may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in the Issuer's consolidated income statement;
- they do not reflect the impact of earnings or charges resulting from certain matters the Issuer considers not to be indicative of the Issuer's ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in the Issuer's industry and analysts may calculate these measures differently than Hera does, limiting their usefulness as comparative measures.

Because of these limitations, the APMs should not be considered as measures of discretionary cash available to the Issuer to invest in the growth of the Issuer's business or as measures of cash that will be available to Hera to meet its obligations or as measures of performance in order to assist in the analysis of its operating results, profitability. You should compensate for these limitations by relying primarily on the Issuer's financial statements and using these Non-IFRS Measures only as a supplement to evaluate its performance.

Furthermore, the Hera Group determines its operating indicators for the reporting period by reclassifying, within the result from special items, any significant components of income that (i) derive from non-recurring events or transactions, *i.e.* any transactions or events that are not frequently repeated during the usual course of business; or (ii) derive from events or transactions that do not represent normal business activities.

On 3 December 2015, the *Commissione per le Società e la Borsa* (CONSOB) issued Communication No. 92543/15 ("**CONSOB Communication**") that acknowledged the Guidelines issued on 5 October 2015 by the European Securities and Markets Authority (ESMA) concerning the presentation of APMs disclosed in regulated information and prospectuses published as from 3 July 2016 (the "**Guidelines**"). These Guidelines – which update the previous CESR Recommendation (CESR/05-178b) – are aimed at promoting the usefulness and transparency of APMs in order to improve their comparability, reliability and comprehensibility. In addition, ESMA also published a Questions and Answers (Q&A) document on the Guidelines, last updated on 30 October 2017, to promote common supervisory approaches and practices in the application of the Guidelines.

In line with the Guidelines and CONSOB Communication, the definitions, contents, basis of calculation and criteria used to construct the APM adopted by Hera are described below. Any operating, financial and fiscal special items are then described.

OPERATING APMS AND INVESTMENTS

Ebitda is a measure of operating performance and is calculated as the sum of "Operating income" and "Depreciation, amortization and write-downs." This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is a useful measure in evaluating the operating performance of the Group (as a whole, and within each business unit), also allowing for a comparison between operating profits of the reporting period with those of previous periods. In this

way it is possible to analyse trends and compare the efficiencies achieved in different periods.

Ebit is a measure of operating performance and is calculated by subtracting operating costs (use of raw materials and consumables, service costs, personnel costs, other operating costs, capitalized costs, amortisation, depreciation and provisions) from operating revenues (revenues and other operating revenues). Among operating costs, amortisations and provisions are deduced from the special operating items. This measure is used as a financial target in internal documents (business plan) and external presentations (to analysts and investors), and is a useful measure in evaluating the operating performance of the Group (as a whole, and within each business unit), also allowing for a comparison between operating profits of the reporting period with those of previous periods. In this way it is possible to analyse trends and compare the efficiencies achieved in different periods.

Pre-tax results are calculated by subtracting the financial operations from Ebit, as described above, net of special financial items, when present.

Net results are calculated by subtracting from pre-tax results, as described above, the taxes shown in the income statements minus special fiscal items, when present.

Results from special items (when present) are aimed at drawing attention to the result of the special item entries. In the Directors' report, this measure is placed between net results and net income for the reporting period, thus allowing the performance of the Group's characteristic management to be read more clearly.

Adjusted Net Result are the sum of the Net results and the Results from special items, as described above.

Ebitda on revenues, Ebit on revenues and net income on revenues measure the Group's operating performance through a proportion, expressed as a percentage, of Ebitda, Ebit and net income divided by the value of revenues.

Net investments are the sum of investments in tangible fixed assets, intangible assets and equity investments, net of capital grants.

FINANCIAL APMS

Net non-current assets:

- with respect to data as at 31 December 2020, are calculated as the sum of: tangible fixed assets; intangible assets and goodwill; equity investments; deferred tax assets and liabilities.
- with respect to data as at 30 June 2021, are calculated as the sum of: tangible fixed assets; rights of use; intangible assets and goodwill; equity investments; deferred tax assets and liabilities.

Net working capital is made up of the sum of: inventories; trade receivables and payables; current tax receivables and payables; other assets and other current liabilities; the current portion of assets and liabilities for financial derivatives on commodities.

Provisions includes the sum of the items "employee severance indemnities and other benefits" and "provisions for risks and charges".

Net invested capital is defined by calculating the sum of "net fixed assets", "net working capital" and "provisions".

Net financial debt (at times referred to below as Net debt) is a measure of the company's financial structure determined in accordance with ESMA Guidelines 32-382-1138, adding the value of non-current financial assets. This measure is therefore calculated by adding together the following items: current and non-current financial assets; cash and cash equivalents; current and non-current financial liabilities; current and non-current portions of assets and liabilities for derivative financial instruments on interest and exchange rates. On the basis of the analyses carried out by Hera, no cases emerged that should be included in the

determination of net financial debt pursuant to the recent ESMA Guidelines 32-382-1138, which had previously been excluded.

OPERATING-FINANCIAL APMS

Adjusted net debt is a measure of the financial structure, calculated as net financial debt minus the effect of the Ascopiave transaction.

Sources of financing are obtained by adding "net financial debt" and "net equity".

The Adjusted net debt to Ebitda ratio, expressed as a multiple of Ebitda, is a measure of the operating management's ability to pay back its net financial debt.

Funds from operations (FFO) are calculated beginning with Ebitda, subtracting provisions for doubtful accounts, financial charges, uses of provisions for risks (net of releases from provisions and increases due to changes in assumptions on future outlays following revised estimates on current landfills) and severance pay and taxes, net of the special items which, if present, are described in the detailed table at the end of this paragraph. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents an indicator of the operating management's ability to generate cash.

The Net Debt to Ebitda Ratio expressed as a multiple of Ebitda is a measure of the operating management's ability to pay back its net financial debt.

The FFO/Net debt indicator, expressed as a percentage, represents an indicator of the operating management's ability to pay back its net financial debt.

ROI, return on net invested capital, is defined as the ratio between Ebit, as described above, and net invested capital. It is intended to indicate the ability to produce wealth through operating management, thus remunerating equity and capital pertaining to third parties.

ROE, return on equity, is defined as the ratio between net profits and net equity. It is intended to indicate the profitability obtained by investors, recompensing risk.

Cash flow is defined as operating cash flow, net of dividends paid. Operating cash flow is calculated as Ebit (as previously described and net of special items, if present), to which the following are added:

- amortisation, depreciation and provisions for the period, not including provisions for doubtful debts;
- changes in net working capital (*);
- provisions for the risk fund (net of releases from provisions) (**);
- use of severance pay reserves;
- the difference between changes in taxes paid in advance and deferred taxes;
- operating and financial investments;
- financial charges and financial income (***);
- divestitures;
- current taxes;

(*) net of the effects of the different accounting policy used for financial derivatives on commodities traded on the Eex platform, whose differential is regulated on a daily basis; minus any changes in NWC deriving from an enlarged entire scope of operations.

(**) minus releases from provisions and increases caused by modifications in estimated future expenses following revised appraisals for operating landfills.

(***) minus the effects of updating deriving from the application of accounting standards Ias 37 and Ias 19 and the profits coming from

associated companies and joint ventures, plus the dividends received from the latter, and gains/losses from transferred shareholding (excluding special items, if present).

CHANGES IN ACCOUNTING STANDARDS AND ACCOUNTING POLICIES

On 1 January 2019, Hera adopted IFRS 16—Leases ("IFRS 16"). IFRS 16 was applied using the modified retrospective approach and the cumulative effect of initially applying the standard was recognized at the date of initial application, being 1 January 2019. The transition to IFRS 16 on 1 January 2019, gave rise to changes to the Issuer's assets and liabilities. For more information, refer to Hers's audited consolidated financial statements as of and for the year ended 31 December 2019, incorporated by reference in this Base Prospectus.

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RISK FACTORS

An investment in the Notes involves a number of risks. The factors described below are the principal risks that the Issuer considers to be material and which may affect Hera's ability to fulfil its obligations under the Notes. In addition, factors that are material for the purpose of assessing the market risks associated with Notes are also described below.

Some of these factors are contingencies which may or may not occur. However, there may be additional risks of which Hera is not currently aware or that may not be considered significant risks by Hera based on information currently available to it or which it may not currently be able to anticipate, and any of these risks could also have a negative effect on Hera's ability to fulfil its obligations under the Notes. In addition, if any of the following risks, or any other risk not currently known, actually occurs, the trading price of the Notes could decline and Noteholders may lose all or part of their investment.

The risks that are specific to the Issuer are presented in 3 categories, while the risks that are specific to the Notes are presented in 5 categories, in each case, with the most material risk factor presented first in each category and the remaining risk factors presented in an order which is not intended to be indicative either of the likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer and the Group.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including any document incorporated by reference, and reach their own views, based upon their own judgement and upon advice from such financial, legal and tax advisers as they have deemed necessary prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Notes", "Description of the Issuer" and "Regulation" or elsewhere in this Base Prospectus have the same meaning in this section.

MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER AND THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

1. REGULATORY AND COMPETITION RISKS

Risks related to the evolution in the legislative and regulatory framework for the electricity, natural gas, district heating, waste and water sectors poses a risk to Hera and its Group

The Group mainly operates in the waste, water and energy sectors, which are subject to several laws and regulations by the European Union, the Republic of Italy and certain regulatory agencies, including the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia, Reti e Ambiente* – **ARERA**). For further information, see "*Regulation*", below. Changes in applicable legislation and regulation, and the manner in which they are interpreted, could impact Hera's earnings and operations either positively or negatively, both through the effect on current operations and through the impact on the cost and revenue-earning capabilities of current and future planned developments in sectors in which Hera conducts its business, directly or through its subsidiaries. Such changes could include changes to regulatory framework applicable to concessions, the reference tariffs system, the ability to maintain licenses, authorisations, permits, approvals and other consents, as well as changes in tax rates, legislation and policies, also involving an earlier termination of certain contracts assigned to and operated by the Hera Group, changes in environmental, health, safety or other workplace laws or changes in the regulation of cross-border transactions. In particular, legislative changes also include changes to laws relating to substitution of critical material in gas networks.

In addition, public policies related to water, waste, energy, energy efficiency and/or air emissions may impact the overall business environment in which Hera and its Group operate and particularly

the public sector. Furthermore, regulation of a particular sector may affect many aspects of Hera's and its Group's business and, in many respects, determines the manner in which Hera and its Group conduct their business and the fees they charge or obtain for their products and services. Any new or substantially altered rules and standards may adversely affect the business, revenues, results of operations and financial condition of Hera and its Group with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Hera Group is dependent on concessions from local and national authorities for its regulated activities

For the financial year ended 31 December 2020, the regulated activities carried out by the Hera Group, including waste collection services, distribution of electricity and gas (both natural and liquid propane gas), integrated water services and district heating (*teleriscaldamento*), accounted for approximately 47% of the Hera Group's EBITDA. These regulated activities are dependent on concessions from local authorities (in the case of integrated water service, gas distribution, waste management and public lighting) and from national authorities (in the case of electricity distribution), as the case may be, that vary in duration across the Hera Group's business areas (in this respect, see also "Descript*ion of the Issuer – Business of the Hera Group – Key Concessions*", below).

No assurances can be given that Hera or any member of the Hera Group will maintain, enter into new, or renew existing, concessions to allow it to continue to engage in the activities described above and elsewhere in this Base Prospectus once its existing concessions terminate or expire, nor that any new concessions entered into or renewals of existing concessions will be on terms similar to those of its current concessions. Any failure by Hera and its Group to maintain the current concessions and/or to enter into new concessions or renew existing concessions, in each case on similar or otherwise favourable terms, could have an adverse impact on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Risks related to the termination of the concessions and the amount of the compensation payment

Each concession is governed by agreements with the relevant grantor requiring the relevant concession operator (the concessionaire) to comply with certain obligations (including, *inter alia*, performing regular maintenance). Each concessionaire is subject to penalties or sanctions for the non-performance or default under the relevant concession. Failure by a concessionaire to fulfil its material obligations under a concession may lead to early termination by the grantor of the concession. Furthermore, in accordance with general principles of Italian law, a concession can be early terminated for reasons of public interest. In either case, the relevant concessionaire might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concessionaire.

In the case of termination of a concession, the concessionaire might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession agreement, which shall be paid by the incoming concessionaire. However, there can be no assurance that any amount due, if any, to the relevant entities of the Hera Group will be actually paid and/or paid timely and/or will be adequate compensation for the loss of the relevant concession and disposal of the related assets.

Furthermore, in several cases there might be a dispute between the parties regarding the quantification of the indemnity due, if any, to the former concessionaire. Litigation in this respect is frequent and can have an impact on the execution of the business plan and on the Hera Group's

activities. This may affect the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Hera Group is exposed to revision of tariffs in waste, water and energy sectors

As referred to under "*Description of the Issuer*" below, the Hera Group operates, *inter alia*, in the waste, water and energy sectors and is exposed to a risk of variation of the tariffs applied to the end users. In the waste and water sector the tariffs payable by final customers are determined and adjusted by the relevant district authority and may be subject to variations as a consequence of periodic revisions resulting from investigations by the authority concerning, *inter alia*, efficiency improvements and the actual implementation of planned investments by the companies managing the integrated water service. For further information about the tariff determination in the energy sector and in respect to the urban waste management sector, see "*Regulation*", below.

Uncertainties as to how to determine the tariffs and decreases in tariffs, also as a consequence of changes in determination of tariffs, could adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Hera faces risks relating to the process of market liberalisation, resulting in greater competition in the markets in which it operates

The energy markets in which Hera and the Hera Group operate are undergoing a process of gradual liberalisation, which is being implemented in different ways and according to different timetables from country to country. For further information, see "*Regulation*", below. As a result of the process of liberalisation, new competitors may enter many of the markets in which the Hera Group operates. It cannot be excluded that the process of liberalisation in the markets in which the Hera Group operates might continue in the future. In particular, as far as Italy is concerned, the protection regime in the electricity and gas sectors for household customers and microbusinesses with installed power less than 15 KW is expected to terminate as of 1 January 2023. Hera's ability to develop its businesses and improve its financial results may be constrained by such new competition.

Competition risks impact network (water, gas and electricity distribution) and market (electricity and gas sales) businesses, and appear in new or modified economic, organisational and informational requirements which Hera is bound to respect, as well as possible changes in market assets they bring about.

Among the other things, such liberalisation process is resulting in increased competition in the Italian energy market, particularly in the electricity business, in which Hera competes with other producers and traders within Italy and from outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid or achieved in Hera's electricity production and trading activities. Moreover, Hera and its Group may be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements, or expansion into new business areas or markets.

In its natural gas business, Hera faces increasing competition from both national and international natural gas suppliers. Increasingly high levels of competition in the Italian natural gas market could possibly entail reduced natural gas selling margins. Furthermore, a number of national gas producers from countries with large gas reserves have begun to sell natural gas directly to final clients in Italy, which could threaten the market position of companies, like Hera, which resell gas purchased from producing countries to final customers.

Although Hera and its Group have sought to face the challenge of liberalisation by increasing their presence and client base in free (*i.e*. non-regulated) areas of the energy markets in which they compete, they may not be successful in doing so. Any failure by Hera and its Group to respond effectively to increased competition could over time adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Issuer's ability to achieve its strategic objectives could be impaired if it is unable to maintain or obtain the required licences, permits, approvals and consents

The strategic risks associated with long-term planning, financial sustainability, involvement in strategic initiatives and investment decisions influence the degree of solidity of the assumptions underlying its business plan with respect to a variety of adverse risk scenarios, contributing to an integrated representation of risks from an enterprise-wide point of view.

In addition to the concessions referred to under the risk factor headed "*The Hera Group is dependent on concessions from local and national authorities for its regulated activities*." above, in order to carry out and, if any, expand its business (either regulated and non-regulated), Hera needs to maintain or obtain a variety of permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If Hera is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired, with a consequent adverse impact on the business, revenues, results of operations and financial condition of Hera and its Group, on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

2. BUSINESS ACTIVITIES AND INDUSTRY RELATED RISKS – TECHNOLOGICAL, ENVIRONMENTAL AND HUMAN CAPITAL

Hera's operations are subject to extensive environmental statutes, rules and regulations, which regulate, *inter alia*, air emissions, water discharges and the management of hazardous and solid waste

Hera's compliance with environmental statutes, rules and regulations (including, among others, those concerning CO2 emissions, along with emissions of other substances caused by combustion, sewerage and dangerous and solid waste management) involves the incurrence of significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with existing environmental legal requirements or those not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have an adverse impact on business, revenues, results of operations and financial condition of Hera and its Group.

In addition, it is possible that in the future Hera and its Group may incur significant environmental expenses and liabilities owing to: (i) unknown contamination; (ii) the results of ongoing surveys or surveys that will be carried out in future on the environmental status of certain of the Hera Group's industrial sites as required by the applicable regulations on contaminated sites; and (iii) the possibility that disputes might be brought against Hera and its Group in relation to such matters. Such liabilities could have an adverse impact on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Pieces of related legislation have been enacted in Italy. In particular, Law No. 68/2015 has introduced a number of new criminal offences related to environmental liabilities (so called "*ecoreati*") including environmental pollution, environmental damage, trade and dereliction of

radioactive material, criminal conspiracy aiming to carry out an "*ecoreato*" (Article 452-*octies* of the Italian criminal code) implying new potential liabilities and, therefore, additional potential expenses, for companies subject to the environmental regulation such as entities belonging to the Hera Group. Such liabilities could have an adverse impact on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Hera is exposed to operational risks through its ownership and management of power stations, waste management and distribution networks and plants

The main operational risks to which Hera is exposed are linked to its ownership and management of power stations, its waste management assets and its distribution networks and plants. In this respect, see "*Description of the Issuer*" below. These power stations and other assets are exposed to risks that can cause significant damage to the assets themselves and, in more serious cases, production capacity may be compromised. These risks include extreme weather phenomena, adverse meteorological conditions, natural disasters (including, *inter alia*, earthquakes), fire (including, *inter alia*, those related to production lines linked to waste treatment and recovery), terrorist attacks, sabotage, mechanical breakdown of or damage to equipment or processes, accidents and labour disputes. In particular, Hera's electricity and steam generation units and distribution networks are exposed to malfunctioning and service interruption risks which are beyond its control and may result in increased costs, regulated repayments (automatic compensation) to users of the grid that suffered service interruptions exceeding the maximum thresholds set by the competent energy Authority and other losses. Furthermore, any of these risks could cause damage or destruction of the Hera Group's facilities and, in turn, injuries to third parties or damage to the environment, along with ensuing lawsuits and penalties imposed by the relevant Authorities. Certain of these circumstances may also have an adverse impact on the Issuer's reputation.

Hera believes that its systems of prevention and protection within each operating area, which vary according to the frequency and gravity of the particular events, its ongoing maintenance plans, the availability of strategic spare parts and its use of tools for transferring risk to the insurance market enable Hera to mitigate the economic consequences of potentially adverse events that might be suffered by any of its owned or managed plants or networks. However, there can be no guarantee that the cost of maintenance and spare parts will not rise, that insurance products will continue to be available on reasonable terms or that any event or series of events affecting any or more plants or networks could not adversely affect the business, revenues, results of operations and financial condition of Hera and its Group, with a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Events, service interruptions, systems failures, water shortages or contamination of water supplies could adversely affect profitability

The Hera Group controls and operates utility networks and maintains the associated assets with the objective of providing a continuous service. In exceptional circumstances, electricity, gas or water shortages, or the failure of part of a network or supporting plant and equipment, could result in the interruption of service or catastrophic damages resulting in loss of life and/or environmental damages and/or economic and social disruption.

For example, water shortages may be caused by natural disasters, acts of terrorism, floods, prolonged droughts, below average rainfall, increases in demand or by environmental factors, such as climate change, which may exacerbate seasonal fluctuations in supply availability. In the event of a shortage, Hera and its Group may incur additional costs in order to provide emergency supplies. In addition, water supplies may be subject to interruption or contamination, including contamination

from the presence of naturally occurring compounds and pollution from man-made sources or third parties' actions. Hera and its Group could also be held liable for human exposure to hazardous substances in its water supplies or other environmental damages. Hera and its Group could be fined for breaches of statutory obligations, including the obligation to supply clean drinking water at the point of supply, or held liable to third parties, or be required to provide an alternative water supply of equivalent quality, which could increase costs.

Hera and its Group maintain insurance against some, but not all, of these events but no assurance can be given that their insurance will be adequate to cover any direct or indirect losses or liabilities it may suffer. An additional risk arises from adverse publicity that these events may generate and the consequent damage to Hera's reputation. Such events could adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

The Hera Group faces risks relating to the variability of weather

Electricity and natural gas consumption levels change significantly as a result of climatic changes. Hera has identified eight physical risks and eight transition risks associated with changes in the weather. In particular: (i) the physical risks may be generated by heat waves, abnormal winter temperature changes, flooding and floods resulting in landslides and mudslides, extreme weather phenomena, rising temperatures, rising sea levels, changes in the timing of annual and average rainfall and the drying out of soils; while (ii) the transition risks may be generated by the electrification of energy consumption and the development of renewable energy sources, the introduction of measures requiring structural and non-structural efficiency upgrades, limits on the production of greenhouse gas emissions, the increase in the cost of raw materials and greenhouse gas emissions, the stigmatisation of the sector in which the company operated and limited access to the capital market, the absence and/or obsolescence of the highly specialised skills required by the market to develop new technologies or replace existing products, legal disputes and the obsolescence of existing plants and the associated need to introduce new, more sustainable solutions/technologies. Such risks can produce, among others, significant variations in energy demand and the Hera Group’s sales mix as well as affect the regular delivery of energy and therefore could adversely affect the business prospects, revenues, results of operations and financial condition of Hera and its Group and, in turn, have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Tecnological / information technology / cybercrime risk

Technological risks include the operational security of distribution networks (fluids and electricity), the logical security of information, the security of communication networks and information systems, and the reliability of remote control systems. The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information and personally identifiable information of customers, service providers and employees, in data centres and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Issuer’s business operations. Increased information technology security threats and more sophisticated computer crimes intended to cause damage to management infrastructure or breach personal data pose a risk to the security of the Group’s systems and networks and the confidentiality, availability and integrity of its data. The main threats may include identity theft, phishing aimed at taking control of a personal computer in order to attack central systems and attacks on exposed systems, such as public websites.

A failure or breach in security could expose the Group and its customers, service providers and employees to risks of misuse of information or systems, the compromising of confidential information, loss of financial resources, manipulation and destruction of data and operations disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorised release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures which could have a material adverse effect on the Issuer's business, financial condition or results of operations and in turn on the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Risks related to the overall economic situation, especially in Hera's principal market

The Group's main areas of activity include the production, sale and distribution of electricity, the sale and distribution of gas, the production, distribution and sale of heat through district heating networks, the management of waste and the management of integrated water cycles. It is from such activities that the Group derives most of its revenues. In particular, the consumption of electricity and, in a reduced extent, gas, is generally related to gross domestic product especially in Italy, Hera's principal market, where an economic context of limited growth, can affect the increase of energy consumption and volumes of waste disposed of. In case of shrinking demand of energy and/or in sales margins scenario whether or not linked to increased competition (in this respect, see risk factor headed "*Hera faces risks relating to the process of market liberalisation, resulting in greater competition in the markets in which it operates*" above) or to the effect of the Covid-19 pandemic (in this respect, see risk factor headed "*Risks relating to the Covid-19 emergency*" below), and/or without an increase in Hera's market share, Hera could incur lower sales volumes of electricity and natural gas and, as a consequence, a reduction of the overall sales revenues (other than those arising from the gas distribution service, which based on the current tariff mechanism would not be affected by the foregoing). Sales volumes may differ from the supply volumes that Hera had expected to utilise from electricity purchase contracts. Differences between actual sales volumes and supply volumes that the Issuer has expected to utilise from electricity purchase contracts may require Hera to purchase additional electricity or sell excess electricity, both of which are themselves subject to market conditions, including weather, plant availability, transmission congestion and input fuel costs. The purchase of additional electricity or sale of excess electricity on unfavourable terms could adversely affect the business, results of operations and financial condition of Hera.

In addition, a potential reduction in waste production (which might derive from the economic context and European and national legislative orientations, or from new tendencies in customer behaviour), or again the unavailability of treatment and recovery infrastructures, could have a negative impact on the Group's ability to meet its goals.

Risks relating to the Covid-19 emergency

The Covid-19 pandemic, after an initial outbreak in China, rapidly spread across the world and, in addition to a significant health emergency, caused serious effects on economy in all countries, including Italy. Although the measures implemented by the Italian Government to face the health emergency at its initial phase, including restrictions of personal movement and closure of most business and industrial activities (the so-called lockdown) did not directly undergo an interruption of the Group's activities, they negatively affected the liberalised sectors in which the Group operates resulting in a drop in demand for electricity and gas from industrial sector and a contraction in volumes in the waste management sector especially in the first months of the pandemic. Despite the progress of the vaccination campaign and the low numbers of infections registered, as well as the measures implemented by the Group to contrast the effects of Covid-19 (for further information see "*Description of the Issuer – Covid-19 emergency*" below), it cannot be excluded that an

exacerbation of the Covid-19 pandemic in Autumn 2021 and/or afterwards may require the Italian Government to implement further restrictive measures which may negatively affect the Group's business, revenues and results of operations.

In addition, a persisting crisis situation may increase the materiality of most of the risks to which the Issuer is exposed, which are detailed in this section, and in turn have a material adverse effect on the Group's business, financial condition and results of operation and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Individual health, safety and social risks

The adequacy of the corporate strategies and/or the ability of the Group to pursue them can be influenced by people and their behaviour, workplace safety and the level of social protection. Although the Group adopts policies in order to ensure workers health and safety and mitigate on-the-job injury risks, promoting better monitoring and enhancement of safety protection and prevention practices, there can be no assurance that such measures will be sufficient to avoid accidents or reduce frequency and severity of accidents. This could have a material adverse effect on the business, revenues and results of operations of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

There are risks associated with the acquisitions that Hera has already carried out and/or are in the process of being completed and possible future acquisitions by Hera, including potential increases in leverage resulting from the financing of the transactions and the integration of the new companies into the Hera Group

As further described in this Base Prospectus, Hera has acquired a number of companies and performed investment and/or joint venture arrangements and its strategy is to further consider additional acquisitions. The acquisitions and investment transactions that Hera has already carried out and any future acquisitions and investments transactions may result in a significant expansion and increased complexity of the Hera Group's operations. Certain adverse consequences could result from these acquisitions. Acquisitions require the integration and combination of different management, strategies, procedures, products and services, client bases and distribution networks, with the aim of streamlining the business structure and operations of the newly enlarged group. Therefore, any acquisition and investment transaction expose Hera and its Group to risks connected to the integration of new companies into the Hera Group. These risks may relate to: (i) difficulties related to the management of a significantly broader and more complex organisation; (ii) problems related to the coordination and consolidation of corporate and administrative functions (including internal controls and procedures relating to accounting and financial reporting); and (iii) the failure to achieve expected synergies. Furthermore, this process of integration may require additional investment and expense. There can be no assurance that Hera and its Group will be able to integrate their newly-acquired companies, or any companies that it may acquire in the future, into the Hera Group successfully. Failure to successfully manage one or more of the foregoing circumstances, or the need for significant further investments in order to do so could have a material adverse effect on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Hera and its Group are defendants in a number of legal proceedings and may from time to time be subject to further proceedings and inspections by tax and other authorities

Hera and certain companies of the Group are defendants in civil, tax and administrative proceedings, which are incidental to their business activities, and may, from time to time, be subject to further

litigation and to investigations by tax and other authorities. For further information, see "*Description of the Issuer – Legal proceedings*".

Hera and its Group are not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provisions. In addition, it cannot be ruled out that Hera and its Group may incur significant losses in addition to the amounts already accrued in connection with pending legal claims and proceedings or future claims or investigations which may be brought owing to: (i) uncertainty regarding the final outcome of such proceedings, claims or investigations; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of such proceedings, claims or investigations in order to accrue the risk provisions as at the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) the underestimation of probable future losses. Adverse outcomes in existing or future proceedings, claims or investigations could have adverse effects on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

Hera is exposed to a number of different tax uncertainties, which would have an impact on its tax results

Hera determines the taxation it is required to pay based on its interpretation of applicable tax laws and regulations. As a result, it may face unfavourable changes in those tax laws and regulations to which it is subject. Therefore, the business, revenues, results of operations and financial condition of Hera and its Group, the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes may be adversely affected by new laws or changes in the interpretation of existing laws.

3. ECONOMIC AND FINANCIAL RISKS

Risks relating to fluctuations in exchange rates

The Group might be exposed to exchange rate risks in relation to cash flows connected to the purchase and/or sale of fuels and electricity on the international markets, cash flows related to investments or other financial income or expenses denominated in foreign currencies and indebtedness in currencies other than Euro. Notwithstanding the Hera Group is used to hedges portions of its foreign currency exposures through derivative contracts, no assurance can be given that significant variations in exchange rates would not materially and adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Hera is exposed to interest rate risk arising on its financial indebtedness

Hera is subject to interest rate risk arising from its financial indebtedness, which may affect the cost of financing and/or the fair value of financial liabilities and therefore could adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes. The interest rate risk varies depending on whether such indebtedness is at a fixed or floating rate. As at 31 December 2020, 10.4% of the Hera Group's borrowings were at a floating rate, already considering the results of hedging activities implemented by the Issuer.

Hera has exposure to counterparty risk arising from its commercial activity

Counterparty risk represents Hera's exposure to potential losses that could be incurred if a commercial or financial counterparty fails to meet its obligations, both payment obligations and other contractual undertakings. This risk arises primarily from economic/financial factors (i.e.,

where the counterparty defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.). Although counterparty risk affects the Group across all the business areas (sales of energy commodities and services, waste treatment activities and telecommunication services), the Group's exposure to counterparty risk is mainly due to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. In addition, a counterparty risk also exists in relation to the regulated activities carried out by the Group, such as the distribution of electric power and natural gas and the waste management services, notwithstanding equalization mechanisms provided for in connection thereto by the relevant grantors / authorities. In 2020, the 24-month unpaid ratio of the Group's main sales companies amounted to 0.89%. A single default by a major financial counterparty, or an increase in current default rates by counterparties generally, could adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Hera is exposed to risks associated with fluctuations in the prices of certain commodities

The Group operates in an integrated manner in the supply and sale of electricity and gas at different stages of the value chain. Hera is therefore exposed to risks arising from the volatility of energy markets, which are only partially mitigated by an integrated assessment of these markets and associated management strategies. In particular, in relation to the wholesale activities carried out by Hera's subsidiary Hera Trading S.r.l ("**Hera Trading"**), Hera must manage risks associated with the misalignment between the index-linked formulae governing Hera's purchase price for gas and electricity and the index-linked formulae of the price at which Hera may sell these commodities. Hera has also entered into certain fixed price contracts for gas and electricity in order to satisfy customers pricing formula required by them, which may require it to pay above-market prices for those commodities or sell such commodities at below-market prices in case of higher or lower customer consumption (see *"Risks related to the overall economic situation, especially in Hera's principal market"*).

Significant variations in fuel, raw material or electricity prices, or any relevant interruption in supplies, could have an adverse impact on Hera's business, results of operations and financial condition and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

The financing arrangements entered into by companies belonging to the Hera Group contain restrictive covenants

As of 31 December 2020, a significant portion of the Group's net borrowings provides, in line with market practice, for certain restrictive covenants, such as, *inter alia*, "*pari passu*" ranking clauses and "negative pledge" clauses as well as a mandatory prepayment related to "change of control" event, concession event and/or sale of assets event, in each case leading to a rating downgrade of the Issuer to non-investment grade or lower, or a suspension of the rating publication. Failure to comply with any of the covenants referred to above and/or the occurrence of any mandatory prepayment event could cause the early termination of the relevant facility agreement and therefore could adversely affect the business, revenues, results of operations and financial condition of Hera and its Group and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Hera is exposed to liquidity and funding risks

Liquidity risk concern the inability to meet the financial obligations taken on due to lack of internal resources and/or inability to find external resources at acceptable costs. Hera's ability to borrow from banks or in the capital markets to meet its financial requirements is dependent on favourable

market conditions as well as on credit rating attributed to the Issuer (in this respect, see risk factor headed "*Risks related to Hera's rating*" below). If sufficient sources of financing are not available in the future for these or other reasons, Hera and its Group may be unable to meet the funding requirements, which could materially and adversely affect its results of operations and financial condition and, in turn, the market value of the Notes and/or the Issuer's ability to fulfil its obligations under the Notes.

Risks related to Hera's rating

As at the date hereof the long-term credit rating assigned to Hera is "BBB+" (stable outlook) by S&P and "Baa2" (stable outlook) by Moody's. S&P and Moody's are established in the European Union and are registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended). As such, S&P and Moody's are included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website available (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation.

Hera's future ability to access capital markets, other financing instruments and related costs may depend, *inter alia*, on the rating assigned to Hera. Accordingly, a downgrade of Hera's rating might limit its ability to access capital markets and/or result in increase in its costs of funding and/or refinancing of debt with a consequent adverse effect on the business, revenues, results of operations and financial condition of Hera and its Group and therefore have a consequent adverse impact on the market value of the Notes and/or on the Issuer's ability to fulfil its obligations under the Notes.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

1. RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A number of Notes that may be issued under the Programme may have features which contain particular risks for potential investors. Set out below is a description of these most common features (but is not intended to be an exhaustive description):

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, with respect to the redemption following a Substantial Purchase Event (Clean-Up Call) (Condition 6.4), there is no obligation on the Issuer to inform investors if and when 80 per cent. or more of original aggregate principal amount of the relevant Series of Notes has been redeemed or is about to be redeemed, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or certain other relevant jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

EU reform of "benchmarks" (including EURIBOR and other interest rate index and equity, commodity and foreign exchange rate indices)

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "*benchmarks*" ("**Benchmarks**") are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence or any other consequential changes to Benchmarks as a result of EU, UK, or any other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes could have a material adverse effect on any Notes linked to a Benchmark.

Key international reforms of Benchmarks include IOSCO's proposed Principles for Financial Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU Benchmarks Regulation.

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the EU Benchmarks Regulation. The EU Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the EU Benchmarks Regulation applies from 1 January 2018, except that the regime for "critical" benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 have applied from 3 July 2016. Subject to the transitional provisions set out in Article 51 of the EU Benchmarks Regulation, the EU Benchmarks Regulation would apply to "contributors", "administrators" and "users of" Benchmarks in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) ban the use of

Benchmarks of unauthorised administrators. The scope of the EU Benchmarks Regulation is wide and, in addition to applying to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds. In a press release of 25 February 2019, the Commission announced that a political agreement has been reached to extend the transitional period under the EU Benchmarks Regulation for two years for critical benchmarks and third country benchmarks. Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 has amended the existing provisions of the EU Benchmarks Regulation by extending the transitional provisions applicable to critical benchmarks and third-country benchmarks until the end of 2021. In addition, Regulation (EU) 2021/168 amending the EU Benchmarks Regulation as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No. 648/2012, extended the transitional period for the use of third-country benchmarks until 2023 and provided that the European Commission may further extend this period until 2025 by a delegated act to be passed before 15 July 2023.

The EU Benchmarks Regulation could also have a material impact on any Notes linked to an index based on a Benchmark, including in any of the following circumstances: (i) an index which is a Benchmark may not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular Benchmark and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed prior to the maturity or otherwise impacted; and (ii) the methodology or other terms of the Benchmark related to a series of Notes could be changed in order to comply with the terms of the EU Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the Benchmark or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level by reference to such sources the Issuer (acting in good faith and in consultation with an Independent Adviser) determines appropriate in accordance with standard market practice.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of Benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements.

It is not possible to predict with certainty whether, and to what extent a Benchmark will continue to be supported going forwards. This may cause certain Benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. The reform of EURIBOR to adopt a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate), or the elimination of any Benchmark, or changes in the manner of administration of any Benchmark, could require an adjustment to the conditions of the Notes or result in other consequences in respect of any Notes referencing such Benchmarks.

Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, triggering changes in the rules or methodologies used in certain Benchmarks or leading to the disappearance of certain Benchmarks. Workstreams have been developed in Europe over recent years to reform EURIBOR using a hybrid methodology and to provide fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on

euro risk-free rates recommended Euro Short-term Rate ("**€STR**") as the new risk-free rate. €STR was published by the European Central Bank (the "**ECB**") on 2 October 2019. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds) and on 6 November 2019 such working group issued high-level recommendations for fallback provisions in contracts referencing EURIBOR, which include a recommendation that market participants incorporate fallback provisions in all new financial instruments and contracts referencing EURIBOR.

Furthermore, in order to address systemic risk, on 2 February 2021 the Council of the European Union approved the final text of the Regulation (EU) 2021/168 which delegates the European Commission to designate a replacement for Benchmarks qualified as critical under the EU Benchmarks Regulation, where the cessation or wind-down of such a Benchmark might significantly disrupt the functioning of financial markets within the European Union. In particular, the designation of a replacement for a Benchmark should apply to any contract and any financial instrument as defined in MiFID II that is subject to the law of a relevant state.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of Benchmarks could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks.

As at the date of this Base Prospectus, the European Money Markets Institute appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the EU Benchmarks Regulation. The disappearance of a Benchmarks or changes in the manner of administration of a Benchmarks could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Notes linked to such Benchmarks. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

If a Benchmark is discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which are linked to or which reference such Benchmark will be determined for the relevant period in accordance with the fall-back provisions applicable to such Notes. The "Terms and Conditions of the Notes" set out below provide for certain fallback arrangements in the event that EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates), or any page on which such Benchmark may be published (or any successor service) becomes unavailable. In particular, the relevant Terms and Conditions provide certain fallback arrangements in case a Benchmark Event otherwise occurs, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). However, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate

(and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Notes to which Condition 4.5 (*Change of Interest Basis*) applies may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on such Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification and waivers

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions allow defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

2. RISKS RELATING TO THE CHARACTERISTICS OF NOTES ISSUED AS "GREEN BONDS" AND THE CHARACTERISTICS OF SUSTAINABILITY-LINKED NOTES

There can be no assurance that Notes issued as "Green Bonds" and the related use of proceeds will be suitable for the investment criteria of an investor seeking securities to be used for a particular purpose

In the case of Notes which are categorised as "*Green Bonds*" there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, as the case may be, any Eligible Green Projects will be capable of being implemented in or substantially in such a manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially applied for such Eligible Green Projects.

Failure by the Issuer to apply the net proceeds of "*Green Bonds*" as specified under the section of the Base Prospectus headed "*Use of Proceeds*" and/or paragraph "*Reasons for the offer – Use of* proceeds" of the relevant Final Terms or to comply with the applicable Green Bond Framework will not trigger any Event of Default under the Conditions.

Furthermore, no assurance can be given that the use of net proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether under any present or future applicable law or regulations or under its own by-laws or other governing rules or investment portfolio mandates.

In addition, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time.

A basis for the determination of the definitions of, *inter alia*, "green" has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy**"). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through the formal adoption of the Sustainable Finance Taxonomy Regulation Delegated Acts which is expected to take place by the end of 2022. Pending development of the technical screening criteria for all the European environmental objectives, an overall alignment of the Eligible Green Projects with the EU Sustainable Finance Taxonomy is not certain.

Sustainability-Linked Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics

The interest rate relating to any Sustainability-Linked Notes issued under the Programme is subject to upward adjustment in certain circumstances specified in the relevant Final Terms, however, Sustainability-Linked Notes may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics. Sustainability-Linked Notes issued under the Programme are not being marketed as green bonds since the Issuer expects to use the relevant net proceeds for general corporate purposes and therefore the Issuer does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or to be subject to any other limitations associated with green bonds.

Furthermore, as described with reference to the "Green Bonds" in the Risk Factor "There can be no assurance that Notes issued as "Green Bonds" and the related use of proceeds will be suitable for the investment criteria of an investor seeking securities to be used for a particular purpose" above, a basis for the determination of the definitions of "sustainability-linked" has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of the Sustainable Finance Taxonomy Regulation on the establishment of the EU Sustainable Finance Taxonomy and the Sustainable Finance Taxonomy Regulation Delegated Acts; however the EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through the formal adoption of the Sustainable Finance Taxonomy Regulation Delegated Acts which is expected to take place by the end of 2022. While the Group's sustainability strategy (which embeds the key performance indicators to which the Notes are linked) and its related investments aim to be aligned with the relevant objectives for the EU Sustainable Finance Taxonomy and the Sustainable Finance Taxonomy Regulation Delegated Acts, until the technical screening criteria for such objectives has been developed, it is not known to what extent the investments planned in the Group's sustainability strategy will satisfy those criteria. Pending development of the technical screening criteria for such objectives, there is no certainty to what extent the investments planned in the Group's sustainability strategy (also underlying the Notes through their link to certain key performance indicators) will be aligned with the EU Sustainable Finance Taxonomy and the Sustainable Finance Taxonomy Regulation Delegated Acts.

A Second-party Opinion issued in respect of "*Green Bonds*" or "*Sustainability-Linked Notes*" does not reflect all the features which may be associated with such debt securities nor does it discuss all risks related to such "*Green Bonds*" or "*Sustainability-Linked Notes*"

In connection with the issue of "*Green Bonds*" the Issuer has engaged ISS-oekom SPO, a specialised consulting firm, to issue the Green Financing Framework Second-party Opinion (see: "*Use of Proceeds*") confirming that the relevant "green" project to be financed and/or refinanced by the net proceeds of the "*Green Bonds*" has been defined in accordance with the broad categorisation of eligibility for green projects set out in the then applicable "Green Bond Principles" ("**GBP**") published by the ICMA and/or the alignment of the Green Financing Framework with the then applicable GBP and, in the future, the Issuer may request the issuance of further second-party opinions from specialist consulting firms or rating agencies (any such second-party opinion, a "**Green Bond Second-party Opinion**").

In connection with the issue of "Sustainability-Linked Notes", the Issuer has engaged Sustainalytics, a specialised consulting firm, to issue the Sustainability-Linked Financing Framework Second-party Opinion confirming the relevance and scope of the selected key performance indicators ("**KPI(s)**") and the associated sustainability performance targets ("**SPTs**") and/or the alignment of the "*Sustainability-Linked Financing Framework*" with the "*Sustainability-Linked Bond Principles*" ("**SLBP**") published by the ICMA and, in the future, the Issuer may request the issuance of further second-party opinions from specialist consulting firms or rating agencies (any such second-party opinion, a "**Sustainability-Linked Financing Framework Second-party Opinion**" and, together with a Green Bond Second-party Opinion, the relevant "**Second-party Opinion**").

The relevant Second-party Opinion may not reflect all the features of such kind of debt securities nor discuss all risks related to the structure, market, additional risk factors and other factors that may affect the value of the relevant Notes or, in the case of "*Green Bonds*", the projects financed and/or refinanced by the relevant net proceeds, and would not constitute a recommendation to buy, sell or hold, as the case may be, the relevant "*Green Bonds*" or "*Sustainability-Linked Notes*". Furthermore, any such Second-party Opinion would only be current as of the date it is released and the Issuer does not assume any obligation or responsibility to release any update or revision of its Eligible Green Projects or to its Sustainability-Linked Financing Framework.

A withdrawal of the relevant Second-party Opinion may affect the value of such "*Green Bonds*" or Sustainability-Linked Notes and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets, as the case may be. Furthermore, prospective investors must determine for themselves the relevance of any such framework, opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in the Notes.

Moreover, a Second-party opinion provider and providers of similar opinions, reports and certifications are not currently subject to any specific regulatory or other regime or oversight. Any such opinion, report or certification is not, nor should be deemed to be, a recommendation by the Issuer, any member of the Group, the Dealers or any Second-party opinion providers or any other person to buy, sell or hold Green Bonds, and/or Sustainability-Linked Notes.

Noteholders have no recourse against the Issuer, any of the Dealers or the provider of any such opinion, report or certification for the contents of any such opinion, report or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in the Green Bonds and/or Sustainability-Linked Notes. Any withdrawal of any such

opinion, report or certification or any such opinion, report or certification attesting that the Group is not complying in whole or in part with any matters for which such opinion, report or certification is opining on or certifying on may have a material adverse effect on the value of the Green Bonds and/or Sustainability-Linked Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Even if the relevant Second-party Opinion is obtained in respect of any series of Green Bonds and/or Sustainability-Linked Notes, however, (a) in the case of Green Bonds whilst any issue of Green Bonds will be made in accordance with the ICMA GBP then applicable, as there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes a "green" or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" and (b) in the case of Sustainability-Linked Notes, there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes a "sustainable" or "sustainability-linked" or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "sustainable" or "sustainability-linked" (and, in addition, the requirements of any such label may evolve from time to time). As a result, no assurance is or can be given to investors by the Issuer, any other member of the Group, the Dealers or any Second-party opinion providers that the Green Bonds and/or Sustainability-Linked Notes will meet any or all investor expectations regarding the Green Bonds and/or Sustainability-Linked Notes or the Group's targets qualifying as "green" "sustainable" or "sustainability-linked" or that any adverse other impacts will not occur in connection with the Group striving to achieve such targets.

Investors should therefore make their own assessment as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party in connection with the offering of Green Bonds and/or Sustainability-Linked Notes.

For the avoidance of doubt, as stated above, any such framework, opinion, report or certification and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

No Step Up Margin will be payable in case of failure by the Issuer to satisfy the Absolute GHG Emissions Condition and/or the Issuer to satisfy the Quantity of Recycled Plastics Condition in case of occurrence of certain events impacting on the Issuer's ability to comply with its Sustainability Targets

The interest rate adjustment in respect of any Sustainability-Linked Notes issued under the Programme depends on a definition of Absolute GHG Emissions and/or Quantity of Recycled Plastics that may be inconsistent with investor requirements or expectations or other definitions relevant to renewable energy and/or greenhouse emissions. Furthermore, in relation to the occurrence of an Absolute GHG Emissions Event and a Quantity of Recycled Plastics Event, the Terms and Conditions specify that no Absolute GHG Emissions Event or, as the case may be, no Quantity of Recycled Plastics Event shall occur in case of the failure of the Issuer to satisfy the Absolute GHG Emissions Condition or, as the case may be, the Quantity of Recycled Plastics Condition due to (a) an amendment to, or change in, any applicable policies, laws, regulations, rules and guidelines applicable to and/or relating to the Group's business or a decision of a competent authority which has a direct and/or indirect impact on the Issuer's ability to satisfy the Absolute GHG Emissions Condition as at the First Absolute GHG Emissions Observation Date or, as the case may be, the Quantity of Recycled Plastics Condition as at the First Quantity of Recycled Plastics Observation Date and, if so specified in the relevant Final Terms, the Second Absolute GHG Emissions Observation Date or the Second Quantity of Recycled Plastics Observation Date; and/or (b) any Concession granted to the Issuer and/or its Subsidiaries being amended, revoked or terminated for any reason whatsoever prior to the relevant expiration date (and such revocation or

termination becomes effective in accordance with its terms) or the relevant expiration date being shortened. As a result, the occurrence of any such events may result in the Issuer being unable to satisfy the Absolute GHG Emissions Condition but the Absolute GHG Emissions Event not being triggered and/or the Quantity of Recycled Plastics Condition but the Quantity of Recycled Plastics Event not being triggered. If this is the case, no Step Up Margin will be paid in respect of the relevant Sustainability-Linked Notes.

Failure to satisfy the relevant Sustainability-Linked Note Condition may have a material impact on the market price of any Sustainability-Linked Notes issued under the Programme and could expose the Group to reputational risks.

Although the Issuer's intention, on issue of any Sustainability-Linked Notes under the Programme, will be to reduce the Group's Absolute GHG Emissions and increase its Quantity of Recycled Plastics (the "**Sustainability Targets**"), there can be no assurance of the extent to which it will be successful in doing so, that the Issuer may decide not to continue with achieving such Sustainability Targets or that any future investments it makes in furtherance of achieving such objectives will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact.

Any of the above could adversely impact the trading price of Sustainability-Linked Notes and the price at which a holder of Sustainability-Linked Notes will be able to sell its Sustainability-Linked Notes in such circumstance prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder - See also "*Sustainability-Linked Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics* " above for a description of the risk that Sustainability-Linked Notes may not satisfy an investor's requirements or any future legal or other standards for investment in assets with sustainability characteristics.

Any failure to meet such sustainability key performance indicators will result in increased interest amounts under such Notes, which would increase the Group's cost of funding and which could have a material adverse effect on the Group, its business prospects, its financial condition or its results of operations.

In addition, a failure by the Group to satisfy the Absolute GHG Emissions Condition and/or the Quantity of Recycled Plastics Condition or any such similar sustainability performance targets the Group may choose to include in any future financings would not only result in increased interest payments under Sustainability-Linked Notes issued under the Programme or other relevant financing arrangements, but could also harm the Group's reputation. Furthermore, the Group's efforts in satisfying the Absolute GHG Emissions Condition and/or the Quantity of Recycled Plastics Condition may become controversial or be criticised by activist groups or other stakeholders. Each of such circumstances could have a material adverse effect on the Group, its business prospects, its financial condition or its results of operations.

Lastly, no Event of Default shall occur under any Sustainability-Linked Notes issued under the Programme, nor will the Issuer be required to repurchase or redeem such Sustainability-Linked Notes, if the Issuer fails to meet the Sustainability Targets, or if it fails to comply with the disclosure and reporting obligations under Condition 13A (*Available Information*) and/or with the applicable Sustainability-Linked Financing Framework.

The Issuer may unilaterally change the sustainability targets applicable to the Sustainability-Linked Notes as a consequence of the occurrence of certain events, including a Recalculation Event

As at the date of this Base Prospectus, the Issuer calculates the greenhouse gas ("**GHG**") emissions on the basis of international guidance and standards on greenhouse gas emissions accounting and life cycle assessment such as those established by the World Business Council for Sustainable Development and the World Resources Institute ("**GHG Protocol Corporate Standard**"). Furthermore, the Issuer's Sustainability Targets are verified by third parties on the basis of the initiative that stems from the collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) aimed at verifying alignment with the indications of the Paris Agreement reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change ("**COP 21**") (the "**Science Based Targets Initiative**" or "**SBTi**").

The industry-wide accepted references, including the GHG Protocol Corporate Standard and the Science Based Targets Initiative and other sectorial standards and guidelines, on which the Issuer bases its calculation methodology, may evolve over time and may result in a change to the scope of the Issuer's Sustainability Targets. The occurrence of any event that requires the Issuer to recalculate the Scope 1 and Scope 2 GHG Emissions and/or the Scope 3 GHG Emissions, which includes a recalculation following a structural change in the Issuer and/or the Group and/or any other event such that any recalculation is required or recommended by SBTi or any replacement/successor (such event referred to under the Conditions as a "Recalculation Event") may cause a fixing by the Issuer, on an unilateral basis, of a new threshold, in tCO2e (referred to in the Conditions as "New Second Absolute GHG Emissions Threshold" or "New Second Absolute GHG Emissions Threshold", as the case may be). If such a Recalculation Event occurs, a new Sustainability Target, unilaterally determined by the Issuer, will be taken into account for the purposes of ascertaining whether or not a Step Up Event shall occur in respect of the relevant Sustainability-Linked Notes. However, in the absence of a certification or validation by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) of such new threshold in tCO2e the relevant GHG Emissions Threshold shall continue to apply and therefore no change shall be made to the relevant GHG Emissions Threshold as a result of the Recalculation Event.

The occurrence of any such Recalculation Event may impact, positively or negatively, the ability of the Issuer to satisfy the Absolute GHG Emissions Condition, which could in turn adversely affect the market price of the Notes and/or the reputation of the Group (see also "*Failure to satisfy the relevant Sustainability-Linked Note Condition may have a material impact on the market price of any Sustainability-Linked Notes issued under the Programme and could expose the Group to reputational risks*" above).

Each of such circumstances could have a material adverse effect on the Group, its business prospects, its financial condition or its results of operations.

3. RISKS RELATING TO THE LISTING AND TRADING OF THE NOTES

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the Official List of Euronext Dublin and admitted to trading on Euronext Dublin and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (including the Luxembourg Stock Exchange and the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market)

organised and managed by Borsa Italiana S.p.A. (each, a "**listing**"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

4. RISKS RELATED TO THE MARKET

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell its Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

5. RISKS RELATING TO CHANGES IN LAW

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, save that provisions convening meetings of Noteholders and the appointment of a Noteholders' Representative in respect of any Series of Notes are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Base Prospectus, and any such change could impact the value of any Notes thereby affected.

OVERVIEW OF THE PROGRAMME

The following overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980 supplementing the Prospectus Regulation. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions set out below, in which event a Drawdown Prospectus (as defined above) will be published.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" below shall have the same meanings in this Overview.

Issuer	HERA S.p.A.
Issuer Legal Entity Identifier (LEI)	8156009414FD99443B48
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include, among others, (i) regulatory and completion risk, including the fact that the evolution in the legislative and regulatory framework for the electricity, natural gas, waste and water sectors may affect the overall business of Hera and the Hera Group; the fact that no assurances can be given that Hera or any member of the Hera Group will maintain, enter into new, or renew existing, concessions for its regulated activities to permit it to continue to engage in the businesses described in this Base Prospectus nor that any new concession entered into or existing concession renewed will be on terms simulation to the current ones; the fact that the Concessions may be terminated early and the compensation payment due may not be actually and/or timely paid and/or adequate for compensating losses; risks of revision of tariffs in waste, water and energy sectors; risks related to the process of market liberalisation, resulting in greater competition in the markets in which Hera operates; risks that Hera is unable to maintain or obtain the required licenses, permits, approvals or consents; (ii) business activities and industry related risks, including risks related to extensive environmental statutes, rules and regulations on, *inter alia*, air emissions, water discharges and the management of hazardous and solid waste; operational risks arising from the ownership and management of power stations, waste management and distribution networks and plants; risk of service interruptions, system failures, water shortages or contaminations of water supplies; risks related to the variability of weather; risk relating to information technology and cybercrime; risks related to the overall economic situation especially in Hera's principal market; risks relating to the Covid-19 emergency; risks associated with the acquisitions that Hera has already carried out and/or are in the process of being completed and possible future acquisitions by Hera; risks related to pending proceedings; and risks relating to uncertainties in

	Italian tax legislation and (iii) economic and financial risks, including risks of fluctuations in exchange rates; interest rate risk arising on Hera' financial indebtedness; risks arising from Hera's commercial activity; risks of fluctuations in the prices of certain commodities; interest rate risk arising on Hera' financial indebtedness; the fact that certain loan agreements contain restrictive covenants. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include, among others, certain risks relating to the structure of a particular Series of Notes and certain market risks. Prospective Noteholders should consider carefully all information contained in this Base Prospectus (including, without limitation, any documents incorporated by reference herein and any supplement hereto) and reach their own views, based upon their own judgment and upon advice from such financial, tax and legal advisers they have deemed necessary, before making any investment decision.
Description	Euro Medium Term Note Programme.
Arranger	Mediobanca – Banca di Credito Finanziario S.p.A.
Dealers	Banco Santander, S.A. BNP Paribas Crédit Agricole Corporate and Investment Bank Intesa Sanpaolo S.p.A. Mediobanca – Banca di Credito Finanziario S.p.A. UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.
Fiscal Agent	The Bank of New York Mellon.
Programme Size	The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €3,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement). The Issuer may increase the amount of the Programme, from time to time, in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

Maturities	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to a minimum maturity of 12 months and one day, unless a higher minimum maturity is prescribed by applicable law.
Issue Price	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par. The Issue Price will be specified in the applicable Final Terms.
Form of Notes	The Notes will be issued in bearer form as described in "*Form of the Notes*".
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Other provisions in relation to Floating Rate Notes	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer. The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Final Terms.
Benchmark discontinuation	On the occurrence of a Benchmark Event, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if

	any, and any Benchmark Amendments (each term as defined in the Conditions) in accordance with Condition 4.4 of the Terms and Conditions of the Notes.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Sustainability-Linked Notes	Fixed Rate Notes and Floating Rate Notes issued by the Issuer may be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. The Rate of Interest for Sustainability-Linked Notes will be the Initial Rate of Interest or, in the case of Floating Rate Notes, the Initial Margin, specified in the applicable Final Terms, provided that, for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the relevant Step Up Margin specified in the applicable Final Terms. In the event that more than one Step Up Event occurs, the Step Up Margin for both such events shall apply from the next following Interest Period. Accordingly, if a Step Up Event occurs, the Initial Rate of Interest or, in the case of Floating Rate Notes, the Initial Margin, shall be increased (i) by the First Step Up Margin(s) from the Interest Period immediately following the relevant First Step Up Event Notification Deadline and (ii) subsequently, by the Second Step Up Margin(s) from the Interest Period immediately following the relevant Second Step Up Event Notification Deadline.
Redemption	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. Other than, if any, in respect of Zero Coupon Notes, no Series of Notes will be redeemed below its principal amount under any circumstances.
Denomination of Notes	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by applicable laws and regulations, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Substantial Purchase Event	The applicable Final Terms may provide that, upon the occurrence of a Substantial Purchase Event (as described below),

	Notes will be redeemable at the option of the Issuer (so called "*Clean-Up Call*") upon giving notice to the Noteholders at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption. A Substantial Purchase Event shall be deemed to have occurred if at any time 20 per cent. or less of the aggregate principal amount of the Notes of the relevant Series originally issued (which for these purposes shall include any further Notes of the same Series issued subsequently) remains outstanding.
Issuer Call	The applicable Final Terms may provide that the Issuer has an Issuer Call. See Condition 6.3 *(Redemption at the option of the Issuer (Issuer Call))*.
Investor Put	The applicable Final Terms may provide that upon the holder of any Note giving to the Issuer in accordance with Condition 13 *(Notices)* not less than 15 nor more than 30 days' notice, upon the expiry of such notice, the Issuer will redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.
Redemption for tax reason	The Notes may be redeemed at the option of the Issuer in whole, but not on part, at any time in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice, in accordance with Condition 13, to the Noteholders (which notice shall be irrevocable), if: (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.
Issuer Maturity Par Call	The applicable Final Terms may provide that the Issuer has an Issuer Maturity Par Call. See Condition 6.5 (*Redemption at the option of the Issuer (Issuer Maturity Par Call)*).

Relevant Event Put Event	The applicable Final Terms may provide that, upon the occurrence of a Relevant Event Put Event (as described below), Notes will be redeemable at the option of the Noteholders upon giving notice to the Issuer on a date or dates specified prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Final Terms. A Relevant Event Put Event will be deemed to have occurred if: (a) a Relevant Event (as described below) occurs; (b) at the time of the occurrence of the Relevant Event, a Rating Event (as defined in Condition 6.6) occurs; and (c) in making the relevant decision relating to the Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision resulted, in whole or in part, from the occurrence of the Relevant Event. A Relevant Event shall be deemed to occur if any of: (i) a Change of Control; (ii) a Concession Event; or (iii) a Sale of Assets Event occurs. A Change of Control shall be deemed to occur if more than 50% of the voting rights exercisable at a general meeting of the Issuer is acquired by any Person or Persons (other than Reference Shareholders) acting in concert. A Concession Event shall be deemed to occur if at any time one or more of the Concessions (as defined in Condition 6.6) granted to the Issuer or to any of its Principal Subsidiaries (a) is terminated or revoked prior to the original stated termination date or (b) otherwise expires at its original stated termination date(s), such expiry becomes effective in accordance with its terms, and has not been extended or renewed, and such Concessions that are terminated, revoked or expired (as the case may be) pursuant to (a) and/or (b) above constitute, taken together, the whole or a substantial part of the Hera Group's business, as defined in Condition 9.1(e), provided that the *prorogatio* regime to which a Concession may be subject to between its expiry at the relevant stated termination date and the extension, renewal or new award of such Concession will not constitute a Concession Event. A Sale of Assets Event shall be deemed to occur if at any time (A) the Issuer or any of its Principal Subsidiaries is required by applicable law to sell, transfer, contribute, assign or otherwise dispose of assets comprising the whole or a substantial part of the Hera Group's business, as defined in Condition 9.1(e), or (B) if such assets are expropriated (*espropriati* pursuant to Italian law) on the basis of an order of a public authority having jurisdiction over the Issuer or the relevant Principal Subsidiary.
Taxation	All payments in respect of the Notes will be made without withholding or deduction for or on account of any taxes imposed by or on behalf of any Tax Jurisdiction as provided in Condition

	7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
Cross Default	The terms of the Notes will contain a cross default provision as further described in Condition 9.
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Issuer and rank *pari passu* among themselves and with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding, save for certain obligations required to be preferred by applicable law.
Rating	The Programme has been rated "BBB+" by S&P Global Ratings Europe Limited ("**S&P**") and "(P)Baa2" by Moody's Investors Service España (Sociedad Unipersonal) ("**Moody's**"). Each of S&P and Moody's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**"). As such each of Moody's and S&P is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the EU CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. Whether or not each credit rating applied for in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union or the UK and registered under the EU CRA Regulation or the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as the case may be, will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing, approval and admission to trading	This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the Central Bank in its capacity as the competent authority in the Republic of Ireland for the purposes of the Prospectus Regulation. Application has been made to the Central Bank to provide the competent authority in the Grand Duchy of Luxembourg with a certificate of such approval attesting that this

	document has been drawn up in accordance with the Prospectus Regulation. Application has also been made to the Irish Stock Exchange plc trading as Euronext Dublin for Notes issued under the Programme to be admitted to trading on the Euronext Dublin's regulated market and to be listed on Euronext Dublin. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series, including the Luxembourg Stock Exchange and the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 14 (*Meetings of Noteholders*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy), the United Kingdom, Japan and such other restrictions as may be required or applied in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*", below.
United States Selling Restrictions	Regulation S, Category 2. The Notes will be issued in compliance with U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the Code)) (TEFRA D) unless (i) the relevant Final Terms states that the Notes are issued in compliance with U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (TEFRA C) or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank and Euronext Dublin shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) the audited consolidated annual financial statements of Hera as at and for the financial year ended 31 December 2020 (https://eng.gruppohera.it/documents/1514726/7351398/Consolidated+Financial+Statements+2020.pdf/8c9f9205-50db-00f3-fb13-3196056423ba?t=1617722646636) including the information set out at the following pages, in particular:

Directors' report	Page 16 to 111
Income statement	Page 113
Statement of comprehensive income	Page 114
Statement of financial position	Pages 115 to 116
Cash flow statement	Page 117
Statement of changes in net equity	Page 118-119
Explanatory notes	Pages 120 to 214
Report by the independent auditor	Pages 215 to 221

(b) the audited consolidated annual financial statements of Hera as at and for the financial year ended 31 December 2019 (available at: https://www.ise.ie/debt_documents/GruppoHera_Consolidated_Financial_Statements_2019_23557b22-de36-472f-8b30-1267d1f99fff.pdf) including the information set out at the following pages, in particular:

Directors' report	Page 14 to 129
Income statement	Page 130
Statement of comprehensive income	Page 131
Statement of financial position	Pages 132 to 133
Cash flow statement	Page 134
Statement of changes in net equity	Page 135
Explanatory notes	Pages 136 to 197
Report by the independent auditor	Pages 221 to 229

(c) the unaudited interim consolidated results of Hera as at and for the six months ended 30 June 2021 (available at: https://eng.gruppohera.it/documents/1514726/9819289/Financial+report+as+at+30+June+2021.pdf/62e5706b-0673-ba68-ca5f-7757be225880?t=1628140552831) including the information set out at the following pages, in particular:

Directors' report	Pages 6 to 53
Income statement	Page 55
Statement of comprehensive income	Page 56

Statement of financial position	Pages 57 to 58
Cash flow statement	Page 59
Statement of changes in net equity	Pages 60
Explanatory notes	Pages 61 to 120
Report by the independent auditor	Page 121

The page references indicated above correspond to the page references of the PDF document format.

Any information contained in any of the documents specified herein which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus will be available for inspection at the registered office of the Issuer and at the specified office of the Paying Agent for the time being in London, and will be published on the website the Issuer (www.gruppohera.it) and of Euronext Dublin (*https://live.euronext.com/*).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus and are either not relevant for the investor or covered in another part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

Any website pages referred to in this Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**") which, in either case, will:

(a) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); and

(b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be)

of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent. At the same time, holders of interests in such Permanent Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 7 October 2021 and executed by the Issuer.

The following legend will appear on all Notes to which TEFRA D applies and on all interest coupons and talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer or the Agent.

APPLICABLE FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency).

[DATE]

HERA S.p.A.

(incorporated with limited liability in the Republic of Italy)

Legal Entity Identifier (LEI): 8156009414FD99443B48

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €3,500,000,000

Euro Medium Term Note Programme

PART A

CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 7 October 2021 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 7 October 2021 [and the supplements to it dated [●] and [●]]. The Base Prospectus is available for viewing [at [, and copies may be obtained from the website of Euronext Dublin at https://live.euronext.com/ and on the Issuer's website]] [and] during normal business hours at [address] [and copies may be obtained from the registered offices of the Issuer and the specified office of the Paying Agents.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.]

1	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [*date*]][Not Applicable]
2		Specified Currency or Currencies:	[●]
3		Aggregate Nominal Amount:	
	(a)	Series:	[●]

	(b) Tranche:	[●]
4	Issue Price:	[●]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5	(i) Specified Denominations:	[●] *(N.B. Notes must have a minimum denomination of EUR 100,000 (or its equivalent in any other currency))* *(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].* *No Notes in definitive form will be issued with a denomination above [€199,000].")*
	(ii) Calculation Amount:	[●]
6	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[[●]/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
	(iii) Trade Date	[●]
7	Maturity Date:	[*Fixed rate – specify date/* *Floating rate* – Interest Payment Date falling in or nearest to [*specify month and year*]]
8	Interest Basis:	[[●]% Fixed Rate[, subject to the Step Up Option]] [[●] month EURIBOR] +/- [●]% Floating Rate[, subject to the Step Up Option]] [Zero Coupon] (further particulars specified in paragraph[s] [12/13/14/15] below)
9	Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [12/13] applies and for the period from (and including) [*date*], up to (and including) the Maturity Date, paragraph [12/13] applies]/[Not Applicable]
10	Put/Call Options:	[Investor Put] [Relevant Event Put] [Issuer Call] [Substantial Purchase Event] [Issuer Maturity Par Call] [(further particulars specified in paragraph[s] [16/17/18/19/20/21] below)]

11	[Date [competent corporate body] approval for issuance of Notes obtained:	[]] [●] registered with the Companies' Registry of [●] on [●] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] (*If the Notes are subject to the Step Up Option*) [The Initial Rate of Interest is] [●]% per annum payable in arrear on each Interest Payment Date [(further particulars specified in paragraph 15 below)]
	(b) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount[, subject to the Step Up Option]
	(d) Broken Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(e) Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f) [Determination Date(s):	[●] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
13	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] [(further particulars specified in paragraph 15 below)]
	(a) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(c)	Additional Business Centre(s):	[●]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
(f)	Screen Rate Determination:	
	– Reference Rate and Relevant Financial Centre:	Reference Rate: [●] month EURIBOR Relevant Financial Centre: [London/Brussels]
	– Interest Determination Date(s):	[●] *(second day on which the TARGET2 System is open prior to the start of each Interest Period)*
	– Relevant Screen Page:	[●] (*if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●] (*In the case of a EURIBOR based option, the first day of the Interest Period*)
(h)	[Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Specified Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
(i)	Margin(s):	(*If the Notes are Sustainability-Linked Notes*) [The Initial Margin is] [+/-] [●]% per annum [(further particulars specified in paragraph 15 below)]
(j)	Minimum Rate of Interest:	[●]% per annum
(k)	Maximum Rate of Interest:	[●]% per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis]

		[30E/360 (ISDA)] (*See Condition 4 for alternatives*)
14	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Accrual Yield:	[●]% per annum
	(b) Reference Price:	[●]
	(c) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]
15	Step Up Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Step Up Event:	[Absolute GHG Emissions Event] [and] [Quantity of Recycled Plastics Event] (*Include all applicable Step Up Events*) (*in relation to an Absolute GHG Emissions Event only:*) [(i) First Absolute GHG Emissions Observation Date: [●] (ii) Second Absolute GHG Emissions Observation Date: [●] / [Not Applicable] (iii) First Absolute GHG Emissions Threshold: [●] tCO2e, subject to the occurrence of a Recalculation Event (iv) Second Absolute GHG Emissions Threshold: [[●] tCO2e, subject to the occurrence of a Recalculation Event] / [Not Applicable]] (v) First Absolute GHG Emissions Event Step Up Margin: [●] per cent. per annum (vi) Second Absolute GHG Emissions Event Step Up Margin: [[●] per cent. per annum] / [Not Applicable] (*in relation to a Quantity of Recycled Plastics Event only:*) [(i) First Quantity of Recycled Plastics Observation Date: [●] (ii) Second Quantity of Recycled Plastics Observation Date: [●] / [Not Applicable] (iii) First Quantity of Recycled Plastics Threshold: [●] Ktons (iv) Second Quantity of Recycled Plastics Threshold: [[●] Ktons] / [Not Applicable]] (v) First Quantity of Recycled Plastics Event Step Up Margin: [●] per cent. per annum

(vi) Second Quantity of Recycled Plastics Event Step Up Margin: [[●] per cent. per annum] / [Not Applicable]

PROVISIONS RELATING TO REDEMPTION

16	Notice periods for Condition 6.2 (*Redemption and Purchase – Redemption for tax reasons*):	Minimum period: 30 days Maximum period: 60 days
17	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount (*Either a specified amount or an election that redemption should be calculated as a Make-Whole Amount*):	[[●] per Calculation Amount]/[Make-Whole Amount] [in the case of the Optional Redemption Date(s) falling [on [ ]/any date from, and including, the Issue Date to but excluding [ ] (being the date that is 90 days prior to the Maturity Date)]/[and] [[ ] per Calculation Amount in the period (the "**Par Call Period**") from and including [insert date] (the "**Par Call Period Commencement Date**") to but excluding [date]] [and [[ ] per Calculation Amount] [in the case of the Optional Redemption Date(s) falling [on [ ]/in the period from and including [date] to but excluding [date]]
	(c) Redemption Margin: (*Only applicable to Make-Whole Amount redemption*)	[[●] per cent.] [Not Applicable]
	(d) Reference Bond: (*Only applicable to Make-Whole Amount redemption*)	[insert applicable reference bond] [Not Applicable]
	(e) Reference Dealers: (*Only applicable to Make-Whole Amount redemption*)	[[●]] [Not Applicable]
	(f) If redeemable in part:	
	(i) Minimum Redemption Amount:	[●]
	(ii) Maximum Redemption Amount:	[●]
	(g) Notice periods:	Minimum period: [●] days Maximum period: [●] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)

18	Substantial Purchase Event	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19	Issuer Maturity Par Call	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Notice periods:	Minimum period: [●] days Maximum period: [●] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems(which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
	(b) Final Redemption Amount:	[●] per Calculation Amount
20	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c) Notice periods:	Minimum period: [_____] days Maximum period: [_____] days
21	Relevant Event Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●] days following the expiration of the Relevant Event Put Period
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(c) Relevant Event Put Period:	60 days
22	Final Redemption Amount:	[●] per Calculation Amount

23	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[As set out in Condition 6.7]/[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.*)
	(b) [New Global Note:	[Yes][No]]
25	Additional Financial Centre(s) for Condition 5.5 (*Payment Day*):	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 13(c) relates*)
26	Talons for future Coupons to be attached to definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27	Redenomination applicable:	Redenomination [not] applicable *(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*

The Issuer accepts responsibility for the information contained in these Final Terms.

[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of HERA S.p.A.:

By:

Duly authorised

PART B

OTHER INFORMATION

1	**LISTING AND ADMISSION TO TRADING**	
	(a) Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [(i)] [Euronext Dublin] [and/or] [the Luxembourg Stock Exchange (*Bourse de Luxembourg*)]'s regulated market [and/or] [(ii) the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A.] and listing on the [Euronext Dublin] [and/or] [the Luxembourg Stock Exchange (*Bourse de Luxembourg*)] [and/or] [the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A.] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [(i)] the [Euronext Dublin] [and/or] [the Luxembourg Stock Exchange (*Bourse de Luxembourg*)]'s regulated market [and/or] (ii) [the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A.] and listing on the [Euronext Dublin] [and/or] [the Luxembourg Stock Exchange (*Bourse de Luxembourg*)] [and/or] [the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A.] with effect from [ ].] [Not Applicable.]
	(b) Estimate of total expenses related to admission to trading:	[[●] [Euronext Dublin] [and] [●][Luxembourg Stock Exchange (*Bourse de Luxembourg*)] [and] [●] [ExtraMOT PRO]]
2	**RATINGS**	
	Ratings:	[The Notes to be issued [[have been][have not been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*]]: *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)* *(Include brief explanation of rating if available)* Each of [*Insert the legal name of the relevant credit rating agency entity*] is established in the [European Union] / [United Kingdom] and is registered under

[Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**")] / [Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")].

[[*Insert credit rating agency*] is established in the [European Union]/[United Kingdom] and has applied for registration under [the EU CRA Regulation]/[UK CRA Regulation], although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert credit rating agency*] is not established in the [European Union]/[United Kingdom] and has not applied for registration under the [EU CRA Regulation]/[UK CRA Regulation] but the rating issued by it is endorsed by [insert endorsing credit rating agency] which is established in the European Union and [is registered under the [EU / UK] CRA Regulation] [has applied for registration under the [EU / UK] CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].]

[[*Insert credit rating agency*] is not established in the [European Union]/[United Kingdom] and has not applied for registration under [the EU CRA Regulation] /[UK CRA Regulation] but is certified in accordance with the [EU / UK] CRA Regulation.]

[[*Insert Credit Rating Agency*] is not established in the [European Union]/[United Kingdom] and is not certified under [the EU CRA Regulation] /[Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")] and the rating given by it is not endorsed by a Credit Rating Agency established in the [European Union]/[United Kingdom] and registered under the [EU / UK] CRA Regulation.]

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the [United Kingdom]/[*insert*] and is [registered with the Financial Conduct Authority in accordance with] / [the rating it has given to the Notes is endorsed by [*UK-based credit rating agency*] registered with the FCA in accordance with] / [certified under] [the UK Credit Rating Agencies Regulation, as amended by the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019]][1]

3 REASONS FOR THE OFFER – USE OF PROCEEDS AND ESTIMATED NET PROCEEDS

[1] Insert for Notes which are admitted to trading on a regulated market within the EU/UK and which have been assigned a rating.

[The net proceeds of the issuance of Notes will be applied by the Issuer [for its general corporate purposes, which include making a profit and/or to refinance existing indebtedness] [to [finance and/or refinance] Eligible Green Projects][, as set forth in "Use of Proceeds" in the Base Prospectus and identified in accordance with the "Green Financing Framework" published on the Hera's website (https://eng.gruppohera.it/documents/1514726/4185705/Green+Financing+Framework.pdf/72a048cf-305c-ac55-a4de-b943e7eb3014?t=1593611023874)]

Estimated net proceeds: [●]

4 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]

5 **YIELD** (*Fixed Rate Notes only*)

Indication of yield: [●]

6 **HISTORIC INTEREST RATES** (Floating Rate Notes only)

Details of historic EURIBOR rates can be obtained from [Reuters].

[Amounts payable under the Notes will be calculated by reference to EURIBOR which is provided by [●]. [As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**").] [As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that as at [●] is not required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]]

7 **OPERATIONAL INFORMATION**

(a)	ISIN:	[●]
(b)	Common Code:	[●]
(c)	[CFI:	[●]/[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Available]
(d)	FISN:	[●]/[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]/[Not Available]
(e)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(f)	Delivery:	Delivery [against/free of] payment

(g)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(h)	Deemed delivery of clearing system notices for the purposes of Condition 13:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
(i)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] Yes: Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*] [No: Note that whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "no" selected*]

8 **NOTIFICATION**

The Central Bank [has been requested to provide] [has provided] the competent authority in the Grand Duchy of Luxembourg with a certificate of approval attesting that the Base Prospectus [and the Supplement[s] to the Base Prospectus dated [●]] [has/have] been drawn up in accordance with the Prospectus Regulation.

9 **DISTRIBUTION**

(a)	Method of distribution	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[ ]
(d)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]

(f)	U.S. Selling Restrictions:	[Reg. S Compliance Category [2]; TEFRA D/TEFRA C/TEFRA not applicable]]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by HERA S.p.A. (the "**Issuer**") pursuant to an agency agreement dated 7 October 2021 (as amended or supplemented as at the relevant Issue Date, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon as fiscal agent and the other agents named in it and with the benefit of a deed of covenant dated 7 October 2021 (as amended or supplemented as at the relevant Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**").

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;

(d) any Global Note; and

(e) any definitive Notes issued in exchange for a Global Note.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and at the specified office of each of the Paying Agents and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer

and the relevant Paying Agent as to its holding of such Notes and identity. If the Notes are to be admitted to trading on the regulated market of the (i) Euronext Dublin, the applicable Final Terms will be published on the website of Euronext Dublin (https://live.euronext.com/); or (ii) Luxembourg Stock Exchange (*Bourse de Luxembourg*), the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Otherwise, in case the Notes are to be admitted to trading on the regulated market of a further or other host Member States within the EEA, the applicable Final Terms will be published in accordance with the laws and regulations applicable to such regulated market.

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated, and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1 Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2 Status of the Notes

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding, save for certain obligations required to be preferred by applicable law.

3 Negative Pledge

3.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not, and will ensure that none of its Principal Subsidiaries (as defined below) will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Encumbrance (as defined below), upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes, the Coupons and the Conditions are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by a Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

3.2 Interpretation

For the purposes of these Conditions:

(a) "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

(b) "**Calculation Agent**" means (i) the Fiscal Agent or (ii) the Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

(c) "**Concession**" has the meaning ascribed to it under Condition 6.6.

(d) "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

(e) "**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

(f) "**Final Redemption Amount**" has the meaning given in the relevant Final Terms;

(g) "**Group**" means the Issuer and its Subsidiaries;

(h) "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

(i) "**Interest Determination Date**" has the meaning given in the relevant Final Terms;

(j) "**Margin**" has the meaning given in the relevant Final Terms;

(k) "**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

(l) "**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;

(m) "**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

(n) "**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;

(o) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality or any of their successors or assignees;

(p) "**Permitted Encumbrance**" means:

(i) any Security Interest in existence on the relevant Issue Date of each Series of Notes, provided that the principal amount secured by the Security Interest is not subsequently increased and the Security Interest remains limited to all or part of the same property and assets that originally secured the Security Interest;

(ii) any Security Interest securing any Project Finance Indebtedness;

(iii) any Security Interest created by a company which becomes a Principal Subsidiary or any Security Interest over the shares/quotas of a company which becomes a Subsidiary of the Issuer or of a Principal Subsidiary in each case after the Issue Date and where such Security Interest already existed at the time that company became a Principal Subsidiary or a Subsidiary of the Issuer or of a Principal Subsidiary, as the case may be (provided that such Security Interest was not created in contemplation of that company becoming a Principal Subsidiary or a Subsidiary of the Issuer or of a Principal Subsidiary, and the aggregate principal amount secured at the time of that company becoming a Principal Subsidiary or a Subsidiary of the Issuer or of a Principal Subsidiary is not subsequently increased and the Security Interest remains limited to all or part of the same property and assets that secured the Security Interest prior to the time of that company becoming a Principal Subsidiary or a Subsidiary of the Issuer or of a Principal Subsidiary); and

(iv) any Security Interest created in substitution of any security permitted under paragraphs (i) to (iii) above, provided that the principal amount secured by the substitute Security Interest does not exceed the principal amount secured by the initial Security Interest;

(q) "**Project**" means the ownership, acquisition (in each case, in whole or in part), development, restructuring, leasing, maintenance and/or operation of an asset or assets, including, for the avoidance of doubt, any Concessions and the equity participations in a company holding such assets or assets.

(r) "**Project Finance Indebtedness**" means any present or future, secured or unsecured, Indebtedness for Borrowed Money incurred to finance or refinance (in each case, in whole or in part) a Project, whereby the claims of the relevant creditor(s) are limited to (i) the amount of cash flow generated by and through the Project (including, for the avoidance of doubt, its assets and, where relevant, the Concession(s)) and/or (ii) the amount of proceeds deriving from the enforcement of any Security Interest taken over the Project (including, for the avoidance of doubt, any interest or equity participations in the relevant Person or Persons, directly and/or indirectly, holding and/or operating the relevant Project) to secure the Project Finance Indebtedness and/or (d) other credit support (including, without limitation, completion guarantees and contingent equity obligations) customarily provided in support of such

indebtedness provided that, for the purposes of Condition 10.1(c), Project Finance Indebtedness shall not include sub-paragraph (d) above. For the avoidance of doubt, the definition of Project Finance Indebtedness shall include also any bridge financing incurred in connection with a Project.

(s) "**Permitted Reorganisation**" means:

(i) in the case of a Principal Subsidiary, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement (including, without limitation, leasing of the assets or going concern) of the relevant Principal Subsidiary whereby, in any one transaction or series of transactions, all or substantially all of its assets and undertaking are transferred, sold, contributed, assigned to or otherwise vested in, the Issuer or any other Principal Subsidiary or any of their Subsidiaries; or

(ii) in the case of the Issuer, any reorganisation, amalgamation, merger, demerger, consolidation, contribution in kind or restructuring whilst solvent or other similar arrangement (including, without limitation, leasing of the assets or going concern) whereby, in any one transaction or series of transactions, all or substantially all of its assets and undertaking are transferred, sold, contributed, assigned or otherwise vested in a body corporate in good standing (which, for the avoidance of doubt, may include any Subsidiary) and such body corporate (1) assumes or maintains (as the case may be) liability as principal debtor in respect of the Notes, including the obligation to pay any additional amounts under Condition 7, whether by contract or operation of law in accordance with applicable law; and (2) continues substantially to carry on the business of the Issuer as conducted as the date of such reorganisation,

in both cases under (i) and (ii) above without the consent of the Noteholders being required in respect thereof, and provided further that:

(A) the Issuer and/or the Principal Subsidiaries to which the relevant reorganisation relates shall be solvent at the time of such reorganisation;

(B) no Event of Default shall have occurred or if an Event of Default shall have occurred it shall (if capable of remedy) have been cured; and

(C) no Permitted Reorganisation Rating Event having occurred.

(t) "**Permitted Reorganisation Rating Event**" shall be deemed to have occurred if at the time of the occurrence of the relevant transaction, the Notes carry:

(i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency assigning a solicited credit rating to the Notes is either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn; or

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency assigning a solicited credit rating to the Notes is downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch); or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the reorganisation an investment grade credit rating (as defined in (I)) to the Notes, and

in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the relevant transaction;

(u) "**Principal Subsidiary**" at any time shall mean a Subsidiary of the Issuer: (i) whose revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10% of the consolidated revenues or, as the case may be, consolidated total assets of the Issuer and its consolidated Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited consolidated accounts of the Issuer and its consolidated Subsidiaries; or (ii) to which is transferred the whole or substantially the whole of the undertaking of a Subsidiary of the Issuer which immediately before the transfer is a Principal Subsidiary;

(v) "**Rating Agency**" means any of Standard & Poor's Credit Market Services Italy S.r.l., Moody's Investors Service España (Sociedad Unipersonal) or Fitch Ratings Ltd, or any of their successors;

(w) "**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 13 below and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

(x) "**Reference Rate**" has the meaning given in the relevant Final Terms;

(y) "**Reference Shareholder**" means any Italian local entity or authority including regions, provinces, municipalities, metropolitan cities and consortium, or any consortium or company directly or indirectly controlled by such entities or authorities; for the purposes of this definition, (i) "**consortium**" means a consortium incorporated pursuant to Article 31 of Legislative Decree No. 267 of 18 August 2000, as amended and (ii) the concept of "**control**" shall be construed and interpreted in accordance with Article 2359, paragraphs 1 and 2, of the Italian Civil Code;

(z) "**Relevant Indebtedness**" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the counter or other securities market, and (ii) any guarantee or indemnity in respect of any indebtedness referred to under sub-paragraph (i) above;

(aa) "**Relevant Jurisdiction**" means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons;

(bb) "**Specified Currency**" has the meaning given in the relevant Final Terms;

(cc) "**Specified Interest Payment Date(s)**" has the meaning given in the relevant Final Terms;

(dd) "**Subsidiary**" means, in respect of any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(i) whose majority of votes in ordinary shareholders' meetings of the second Person is held by the first Person; or

(ii) in which the first Person holds a sufficient number of votes giving the first Person a dominant influence in ordinary shareholders' meetings of the second Person,

pursuant to the provisions of Article 2359, paragraph 1, numbers 1 and 2, of the Italian Civil Code;

(ee) "**TARGET2 System**" means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) System;

(ff) "**Treaty**" means the treaty on the functioning of the European Union, as amended; and

(gg) "**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

References to the Issuer in these Conditions, the Agency Agreement, the Deed of Covenant and the Global Notes is a reference to HERA S.p.A. or any of its universal successor and/or successor or assignee in the context of a Permitted Reorganisation.

4 Interest

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) either (i) the Interest Commencement Date or (ii) if a Change of Interest Basis is specified in the applicable Final Terms as being applicable, the date from which the Fixed Rate Note provisions are stated to apply, at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date or, where so specified in the applicable Final Terms, a Fixed Rate Note will bear interest, during its life, on the basis of different fixed Rate(s) of Interest indicated therein.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount, subject to the Step Up Option. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date unless otherwise specified in the applicable Final Terms.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount, subject to the Step Up Option or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

"**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) either (i) the Interest Commencement Date or (ii) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, the date from which the Floating Rate Note provisions are stated to apply, and such interest will be payable in arrears on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (or, as the case may be, the date from which the Floating Rate Note provisions are stated to apply).

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "**Business Day**" means a day which is both:

I a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and

II either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable

Final Terms) the Margin (if any). For the purposes of this subparagraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or the Calculation Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is (a) the first day of that Interest Period or (b) as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 am (Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon:

If the Relevant Screen Page is not available or, if sub-paragraph (A) above applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (B) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the

Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If paragraph above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates per annum (expressed as a percentage), as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market plus or minus (as appropriate) the Margin (if any), or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

For the purposes of this Condition "**Reference Banks**" means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer or as specified in the applicable Final Terms.

(iii) Linear Interpolation

Where Linear Interpolation is specified in the applicable Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall

determine such rate at such time and by reference to such sources the Issuer (acting in good faith and in consultation with an Independent Adviser) determines appropriate in accordance with standard market practice.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified by the Agent to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in

the absence of wilful default) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent.

4.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of the date on which all amounts due in respect of such Note have been paid in accordance with Condition 5.

4.4 Benchmark discontinuation

If a Benchmark Event occurs in relation to an Original Reference Rate when any required Rate of Interest (or any component part thereof) remains to be determined on any Determination Date by reference to such Original Reference Rate, then the following provisions of this Condition 4.4 shall apply**.**

(a) Independent Adviser

The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(b)) by no later than five Business Days prior to the Determination Date relating to the next Determination Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate (the "**IA Determination Cut-off Date**").

An Independent Adviser appointed pursuant to this Condition 4.4 shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Fiscal Agent, the Paying Agents or the Noteholders for any determination made by it pursuant to this Condition 4.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4(a) and/or (in either case) the applicable Adjustment Spread, prior to the relevant IA Determination Cut-off Date in accordance with this Condition, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, by no later than five Business Days prior to the Determination Date relating to the next Determination Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.4(a).

(b) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.4), with effect as from the date or, as the case may be, Interest Period, as specified in the notice delivered pursuant to Condition 4.4(e) below; or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4.4), with effect as from the date or, as the case may be, Interest Period, as specified in the notice delivered pursuant to Condition 4.4(e) below.

(c) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser or the Issuer (if required to determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, according to Condition 4.4(a)) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(d) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.4 and the Independent Adviser determines (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.4(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 4.4, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 4.4 to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 4.4(d), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed or admitted to trading.

Benchmark Amendments may comprise, by way of example, the following amendments: (A) amendments to the definition of "Original Reference Rate"; (B) amendments to the day-count fraction and the definitions of "Business Day", "Interest Payment Date", "Rate of Interest", and/or "Interest Period" (including the determination whether the Alternative Rate will be determined in advance on or prior to the relevant Interest Period or in arrear on or prior to the end of the relevant Interest Period); and/or (C) any change to the business day convention.

(e) Notices etc

Any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.4

will be notified promptly by the Issuer to the Fiscal Agent and the Agent Bank and, in accordance with Condition 13 (*Notices*), the Noteholders.

Such notice shall be irrevocable and shall specify (*inter alia*) the effective date of the Benchmark Amendments, if any.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(i) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4.4; and

(ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

Each of the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 4.4, if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4.4, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(f) Survival of Rate of Interest

Without prejudice to the obligations of the Issuer under Condition 4.4(a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Condition 4.2 (*Interest on Floating Rate Notes*) will continue to apply unless and until the Fiscal Agent, the Calculation Agent and the Noteholders have been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 4.4(e).

(g) Definitions

For the purposes of this Condition 4.4, unless defined above:

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero), or (b) the formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) if no such recommendation has been made, or in the case of an Alternative Rate, the Issuer determines, following consultation with the Independent Adviser, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(iii) if the Issuer determines that no such spread is customarily applied, the Issuer determines, following consultation with the Independent Adviser, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer determines in accordance with Condition 4.4(b) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes and with an interest period of a comparable duration to the relevant Interest Period.

"**Benchmark Amendments**" has the meaning given to it in Condition 4.4(d).

"**Benchmark Event**" means, with respect to an Original Reference Rate:

(i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or to be administered; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the administrator or the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the administrator or the supervisor of the administrator of the Original Reference Rate, stating, or to the effect, that the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or

(v) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Noteholder using the Original Reference Rate (including, without limitation, under the Regulation (EU) 2016/1011, if applicable); or

(vi) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used, in each case in circumstances where the same shall be applicable to the Notes.

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of paragraph (iv) above, on the date of prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense under Condition 4.4(a).

"**Original Reference Rate**" means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) in respect of any Interest Period(s) on the Notes, as specified in the applicable Final Terms (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate).

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board, the European Systemic Risk Board, or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

4.5 Change of Interest Basis

If a Change of Interest Basis is specified hereon as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 4.1 (*Interest on Fixed Rate Notes*) or Condition 4.2 (*Interest on Floating Rate Notes*), each applicable only for the relevant periods specified in the applicable Final Terms.

4.6 Step Up Option

This Condition 4.6 applies to Notes in respect of which the applicable Final Terms indicate that the Step Up Option is applicable (the "**Sustainability-Linked Notes**").

The Rate of Interest for Sustainability-Linked Notes will be the Initial Rate of Interest or, in the case of Floating Rate Notes, the relevant benchmark plus the Initial Margin, each as specified in the applicable Final Terms, provided that for any Interest Period commencing on or after the Interest Payment Date immediately following the occurrence of a Step Up Event, if any, the Rate of Interest

or, in the case of Floating Rate Notes, the relevant benchmark plus the Margin, shall be increased by the relevant Step Up Margin(s) specified in the applicable Final Terms.

If the relevant Final Terms indicate that one or more First Step Up Margin(s) is or are applicable, such First Step Up Margin(s) shall only apply to the Rate of Interest or, in the case of Floating Rate Notes, the Margin, if a Step Up Event has occurred as at the First Absolute GHG Emissions Observation Date and/or the First Quantity of Recycled Plastics Observation Date, as the case may be.

If the relevant Final Terms indicate that one or more Second Step Up Margin(s) is or are applicable, such Second Step Up Margin(s) shall only apply to the Rate of Interest if a Step Up Event has occurred as at the Second Absolute GHG Emissions Observation Date and/or the Second Quantity of Recycled Plastics Observation Date, as the case may be.

The Issuer will give notice of the occurrence of (i) a Step Up Event, as specified in the applicable Final Terms, or (ii) satisfaction of the relevant Sustainability-Linked Note Condition, as the case may be, to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders as soon as reasonably practicable after such occurrence and, in respect of a First Step Up Event, no later than the First Step Up Event Notification Deadline and/or, in respect of a Second Step Up Event, no later than the Second Step Up Event Notification Deadline. Such notice shall be irrevocable and shall specify the Rate of Interest applicable for the following Interest Period. In the event that more than one Step Up Event occurs, the Step Up Margin for both such events shall apply from the next following Interest Period. Accordingly, if a Step Up Event occurs, the Initial Rate of Interest or, in the case of Floating Rate Notes, the Initial Margin, shall be increased (i) by the First Step Up Margin(s) from the Interest Period immediately following the relevant First Step Up Event Notification Deadline and (ii) subsequently, by the Second Step Up Margin(s) from the Interest Period immediately following the relevant Second Step Up Event Notification Deadline.

The Fiscal Agent shall not be obliged to monitor or inquire as to whether a Step Up Event has occurred or have any liability in respect thereof.

In this Condition:

"**Annual Report**" has the meaning given to it in Condition 13(A) (*Available Information*);

"**Absolute GHG Emissions**" means the amount of the Group's Scope 1 and Scope 2 GHG Emissions and the Group's Scope 3 GHG Emissions, as at the end of the relevant Sustainability Performance Reference Period and calculated in good faith by the Issuer, reported in the relevant Consolidated disclosure of Non-Financial Information, which is subject to assurance by the External Verifier and, if a Recalculation Event occurs, recalculated in good faith by the Issuer, confirmed by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) and disclosed in the relevant Consolidated disclosure of Non-Financial Information, in each case, published by the Issuer in accordance with Condition 13(A) (*Available Information*);

"**Absolute GHG Emissions Condition**" means that (i) the Absolute GHG Emissions as at (A) the First Absolute GHG Emissions Observation Date was equal to or lower than the First Absolute GHG Emissions Threshold or, if applicable, the New First Absolute GHG Emissions Threshold and (B) if specified as applicable in the relevant Final Terms, as at the Second Absolute GHG Emissions Observation Date, was equal to or lower than the Second Absolute GHG Emissions Threshold or, if applicable, the New Second Absolute GHG Emissions Threshold and (ii) the Consolidated disclosure of Non-Financial Information, and the related Verification Assurance Report as at the First Absolute GHG Emissions Observation Date and, if specified as applicable in the relevant Final Terms, the Second Absolute GHG Emissions Observation Date, have been published on the Issuer's website by no later than the relevant Sustainability Performance Reporting Deadline;

"**Absolute GHG Emissions Event**" means the failure of the Issuer to satisfy the Absolute GHG Emissions Condition, *provided that* no Absolute GHG Emissions Event shall occur in case of the failure of the Issuer to satisfy the Absolute GHG Emissions Condition due to:

(a) an amendment to, or change in, any applicable policies, laws, regulations, rules and guidelines applicable to and/or relating to the Group's business, or a decision of a competent authority which has a direct and/or indirect impact on the Issuer's ability to satisfy the Absolute GHG Emissions Condition as at the First Absolute GHG Emissions Observation Date and/or, if so specified in the relevant Final Terms, the Second Absolute GHG Emissions Observation Date; and/or

(b) any Concession granted to the Issuer and/or its Subsidiaries being amended, revoked or terminated for any reason whatsoever prior to the relevant expiration date (and such revocation or termination becomes effective in accordance with its terms) or the relevant expiration date being shortened, which has a direct and/or indirect impact on the Issuer's ability to satisfy the Absolute GHG Emissions Condition as at the First Absolute GHG Emissions Observation Date and, if so specified in the relevant Final Terms, the Second Absolute GHG Emissions Observation Date,

in each case, as notified by the Issuer pursuant to Condition 13 (*Notices*), at the First Absolute GHG Emissions Observation Date and, if so specified in the relevant Final Terms, the Second Absolute GHG Emissions Observation Date;

"**Consolidated disclosure of Non-Financial Information**" has the meaning given to it in Condition 13(A) (*Available Information*);

"**External Verifier**" means any qualified provider of third party assurance or attestation services or other independent expert of internationally recognised standing appointed by the Issuer, in each case with the expertise necessary to perform the functions required to be performed by the External Verifier under these Conditions, as determined in good faith by the Issuer;

"**First Absolute GHG Emissions Event Step Up Margin**" means the amount specified in the applicable Final Terms as being the First Absolute GHG Emissions Event Step Up Margin;

"**First Absolute GHG Emissions Observation Date**" means the date specified in the relevant Final Terms as being the First Absolute GHG Emissions Observation Date;

"**First Absolute GHG Emissions Threshold**" means the threshold, in tCO2e, specified in the relevant Final Terms as being the First Absolute GHG Emissions Threshold, subject to the occurrence of a Recalculation Event;

"**First Quantity of Recycled Plastics Event Step Up Margin**" means the amount specified in the applicable Final Terms as being the First Quantity of Recycled Plastics Event Step Up Margin;

"**First Quantity of Recycled Plastics Observation Date**" means the date specified in the relevant Final Terms as being the First Quantity of Recycled Plastics Observation Date;

"**First Quantity of Recycled Plastics Threshold**" means the threshold, in Ktons, specified in the relevant Final Terms as being the First Quantity of Recycled Plastics Threshold;

"**First Step Up Event Notification Deadline**" means:

(i) in respect of the Absolute GHG Emissions Condition, the date on which the Issuer is required to publish the Consolidated disclosure of Non-Financial Information and the Verification Assurance Report as at and for the year ending on the First Absolute GHG Emissions Observation Date; and

(ii) in respect of the Quantity of Recycled Plastics Condition, the date on which the Issuer is required to publish the Consolidated disclosure of Non-Financial Information and the Verification Assurance Report as at and for the year ending on the First Quantity of Recycled Plastics Observation Date;

"**First Step Up Margin**" means the First Absolute GHG Emissions Event Step Up Margin or the First Quantity of Recycled Plastics Event Step Up Margin, as indicated as applicable in the relevant Final Terms and, each such margin, the "**relevant First Step Up Margin**";

"**GHG**" means greenhouse gases, being gases which absorb and emit radiation in the atmosphere contributing to the greenhouse effect, including (among others) carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulfur hexafluoride (SF6) and nitrogen trifluoride (NF3);

the relevant "**GHG Emissions Threshold**" means the First Absolute GHG Emissions Threshold, the New First Absolute GHG Emissions Threshold, the Second Absolute GHG Emissions Threshold and/or the New Second Absolute GHG Emissions Threshold, as applicable from time to time;

"**GHG Protocol's Corporate Reporting Standards**" means the international guidance and standards on greenhouse gas emissions accounting and life cycle assessment such as those established by the World Business Council for Sustainable Development and the World Resources Institute;

"**Initial Margin**" is the Margin applicable on the Issue Date, as specified in the applicable Final Terms;

"**Initial Rate of Interest**" is the Rate of Interest applicable on the Issue Date, as specified in the applicable Final Terms;

"**Ktons**" means kilo-tonnes;

"**New First Absolute GHG Emissions Threshold**" means, following the occurrence of a Recalculation Event, the new threshold, in tCO2e, recalculated in good faith by the Issuer, certified or validated by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) and disclosed in the relevant Consolidated disclosure of Non-Financial Information and published by the Issuer in accordance with Condition 13(A) (*Available Information*), which shall replace the First Absolute GHG Emissions Threshold as at the date of such Consolidated disclosure of Non-Financial Information, and any reference to the First Absolute GHG Emissions Threshold in these Conditions thereafter shall be deemed to be a reference to the New First Absolute GHG Emissions Threshold, it being understood that in the absence of such certification or validation by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) shall result in the relevant GHG Emissions Threshold continuing to apply and therefore no change shall be made to the relevant GHG Emissions Threshold as a result of the Recalculation Event;

"**New Second Absolute GHG Emissions Threshold**" means, following the occurrence of a Recalculation Event, the new threshold, in tCO2e, recalculated in good faith by the Issuer, certified or validated by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) and disclosed in the relevant Consolidated disclosure of Non-Financial Information and published by the Issuer in accordance with Condition 13(A) (*Available Information*) which shall replace the Second Absolute GHG Emissions Threshold as at the date of such Consolidated disclosure of Non-Financial Information, and any reference to the Second Absolute GHG Emissions Threshold in these Conditions thereafter shall be deemed to be a reference to the New Second Absolute GHG Emissions Threshold,

it being understood that in the absence of such certification or validation by SBTi (or any replacement or successor SBTi or, in the absence of any such replacement or successor, an equivalent source of confirmation identified by the Issuer) shall result in the relevant GHG Emissions Threshold continuing to apply and therefore no change shall be made to the relevant GHG Emissions Threshold as a result of the Recalculation Event;

"**Observation Date**" means the First Absolute GHG Emissions Observation Date and/or the Second Absolute GHG Emissions Observation Date and/or the First Quantity of Recycled Plastics Observation Date and/or the Second Quantity of Recycled Plastics Observation Date, as set out in the relevant Final Terms;

"**Quantity of Recycled Plastics**" means the annual quantity of recycled plastic waste, in Ktons, carried out by the Group as at the end of the relevant Sustainability Performance Reference Period and calculated in good faith by the Issuer, reported in the relevant Consolidated disclosure of Non-Financial Information which is subject to assurance by the External Verifier, published by the Issuer in accordance with Condition 13(A) (*Available Information*);

"**Quantity of Recycled Plastics Condition**" means that (i) the Quantity of Recycled Plastics as at (A) the First Quantity of Recycled Plastics Observation Date was equal to or higher than the First Quantity of Recycled Plastics Threshold and (B) if specified as applicable in the relevant Final Terms, as at the Second Quantity of Recycled Plastics Observation Date, was equal to or lower than the Second Quantity of Recycled Plastics Threshold and (ii) the Consolidated disclosure of Non-Financial Information and the related Verification Assurance Report as at the First Quantity of Recycled Plastics Observation Date and, if specified as applicable in the relevant Final Terms, the Second Quantity of Recycled Plastics Observation Date, have been published on the Issuer's website by no later than the relevant Sustainability Performance Reporting Deadline;

"**Quantity of Recycled Plastics Event**" means the failure of the Issuer to satisfy the Quantity of Recycled Plastics Condition *provided that* no Quantity of Recycled Plastics Event shall occur in case of the failure of the Issuer to satisfy the Quantity of Recycled Plastics Condition due to:

(a) an amendment to, or change in, any applicable policies, laws, regulations, rules and guidelines applicable to and/or relating to the Group's business activities, or a decision of a competent authority which has a direct impact and/or indirect on the Issuer's ability to satisfy the Quantity of Recycled Plastics Condition as at the First Quantity of Recycled Plastics Observation Date and/or, if so specified in the relevant Final Terms, the Second Quantity of Recycled Plastics Observation Date; and/or

(b) any Concession granted to the Issuer or its Subsidiaries being amended, revoked or terminated for any reason whatsoever prior to the relevant expiration date (and such revocation or termination becomes effective in accordance with its terms) or the relevant expiration date being shortened which has a direct and/or indirect impact on the Issuer's ability to satisfy the Quantity of Recycled Plastics Condition as at the First Quantity of Recycled Plastics Observation Date and, if so specified in the relevant Final Terms, the Second Quantity of Recycled Plastics Observation Date,

in each case, as notified by the Issuer pursuant to Condition 13 (*Notices*), at the First Quantity of Recycled Plastics Observation Date and, if so specified in the relevant Final Terms, the Second Quantity of Recycled Plastics Observation Date;

"**Recalculation Event**" means:

(a) the occurrence of any event that requires the Issuer to recalculate the Scope 1 and Scope 2 GHG Emissions and/or the Scope 3 GHG Emissions; or

(b) a structural change in the Issuer and/or the Group and/or any other event such that any recalculation is required or recommended by SBTi or any replacement/successor;

"**Science Based Targets Initiative**" or "**SBTi**" means the initiative that stems from the collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) aimed at verifying alignment with the indications of the Paris Agreement reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21);

"**Scope 1 and Scope 2 GHG Emissions**" means the GHG emissions derived from the Issuer's owned and controlled assets required for its operations including the supply and consumption of electricity, determined in good faith by the Issuer and, subject to the occurrence of a Recalculation Event, in accordance with the GHG Protocol's Corporate Reporting Standards, for any fiscal year, expressed as a total amount in tCO2e;

"**Scope 3 GHG Emissions**" means the GHG emissions derived from the sale of electricity by the Issuer to and the use of natural gas by the Issuer's customers, determined in good faith by the Issuer and, subject to the occurrence of a Recalculation Event, in accordance with the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standards, for any fiscal year, expressed as a total amount in tCO2e;

"**Second Absolute GHG Emissions Observation Date**" means the date specified in the relevant Final Terms as being the Second Absolute GHG Emissions Observation Date;

"**Second Absolute GHG Emissions Threshold**" means the threshold, in tCO2e, specified in the relevant Final Terms as being the Second Absolute GHG Emissions Threshold, subject to the occurrence of a Recalculation Event;

"**Second Quantity of Recycled Plastics Observation Date**" means the date specified in the relevant Final Terms as being the Second Quantity of Recycled Plastics Observation Date;

"**Second Quantity of Recycled Plastics Threshold**" means the threshold, in Ktons, specified in the relevant Final Terms as being the Second Quantity of Recycled Plastics Threshold;

"**Second Step Up Event Notification Deadline**" means:

(i) in respect of the Absolute GHG Emissions Condition, the date on which the Issuer is required to publish the Consolidated disclosure of Non-Financial Information and the Verification Assurance Report as at and for the year ending on the Second Absolute GHG Emissions Observation Date; and

(ii) in respect of the Quantity of Recycled Plastics Condition, the date on which the Issuer is required to publish the Consolidated disclosure of Non-Financial Information and the Verification Assurance Report as at and for the year ending on the Second Quantity of Recycled Plastics Observation Date;

"**Second Absolute GHG Emissions Event Step Up Margin**" means the amount specified in the applicable Final Terms as being the Second Absolute GHG Emissions Event Step Up Margin which, if so specified in the applicable Final Terms, shall only apply to the Rate of Interest if a Step Up Event has occurred as at the Second Absolute GHG Emissions Observation Date;

"**Second Quantity of Recycled Plastics Event Step Up Margin**" means the amount specified in the applicable Final Terms as being the Second Quantity of Recycled Plastics Event Step Up Margin which, if so specified in the applicable Final Terms, shall only apply to the Rate of Interest if a Step Up Event has occurred as at the Second Quantity of Recycled Plastics Observation Date;

"**Second Step Up Margin**" means the Second Absolute GHG Emissions Event Step Up Margin or the Second Quantity of Recycled Plastics Event Step Up Margin, as indicated as applicable in the relevant Final Terms and, each such margin, the "**relevant Second Step Up Margin**";

"**Step Up Date**" means in relation to any relevant Step Up Event, the first day of the next Interest Period following the relevant Step Up Event Notification Deadline;

"**Step Up Event**" means the occurrence of either (a) an Absolute GHG Emissions Event and/or (b) a Quantity of Recycled Plastics Event, in each case, as so specified in the relevant Final Terms, it being understood that the occurrence of any such event shall not result in the occurrence of an Event of Default under these Conditions;

"**Step Up Event Notification Deadline**" means the First Step Up Notification Deadline and, if so specified in the relevant Final Terms, the Second Step Up Event Notification Deadline and, each such deadline, the "**relevant Step Up Event Notification Deadline**";

"**Step Up Margin**" means the relevant First Step Up Margin and, if so specified in the relevant Final Terms, the relevant Second Step Up Margin and, each such margin, the "**relevant Step Up Margin**";

"**Sustainability-Linked Note Condition**" means either or both of (i) the Absolute GHG Emissions Condition and/or the Quantity of Recycled Plastics Condition, as may be applicable in correspondence to the relevant Step Up Event specified in the relevant Final Terms;

"**Sustainability Performance Reference Period**" means the fiscal year of the Group ending 31 December of each year, starting from the end of the first fiscal year following the Issue Date;

"**Sustainability Performance Reporting Deadline**" has the meaning given to it in Condition 13(A) (*Available Information*);

"**tCO2e**" means the sum of Scope 1 and Scope 2 GHG Emissions and Scope 3 GHG Emissions during a given period, measured in metric tons of carbon dioxide equivalent, according to the GHG Protocol Corporate Standard; and

"**Verification Assurance Report**" has the meaning given to it in Condition 13(A) (*Available Information*).

5 Payments

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, or other laws and regulations to which the Issuer or its respective Agents agree to be subject, and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Condition 7.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of,

the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (i) in the case of Notes in definitive form only, the relevant place of presentation;

  (ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.7.

6 Redemption and Purchase

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount (which, subject to any purchase, cancellation, early redemption or repayment, expressed as the amount per Calculation Amount specified in the relevant Final Terms, is its nominal amount) in the relevant Specified Currency on the Maturity Date.

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice, in accordance with Condition 13, to the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date, as specified in the applicable Final Terms. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable

Final Terms together with, if appropriate, interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

For the purposes of this Condition 6.3 only, the Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make-Whole Amount is specified in the applicable Final Terms:

(A) in the case of Notes that are not Sustainability-Linked Notes, will be an amount which is the higher of:

(a) 100 per cent. of the outstanding principal amount of the Note to be redeemed; or

(b) as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest to maturity (or, if Par Call Period is specified in the applicable Final Terms, to the Par Call Period Commencement Date) (not including any interest accrued on the Notes to, but excluding, the relevant Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin,

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date; or

(B) in the case of Notes that are Sustainability-Linked Notes, will be an amount which is the higher of:

(a) 100 per cent. of the outstanding principal amount of the Sustainability-Linked Note to be redeemed; or

(b) as determined by the Reference Dealers, the sum of present values of the remaining scheduled payments of principal of the Sustainability-Linked Notes to be redeemed and interest thereon to maturity (or, if Par Call Period is specified in the applicable Final Terms, to the Par Call Period Commencement Date) (calculated at the Initial Rate of Interest or, in the case of Floating Rate Notes, the Initial Margin, until the interest period immediately following the relevant Step Up Date, at which point, the Rate of Interest or, in the case of Floating Rate Notes, the Margin, shall be deemed to be the Subsequent Rate of Interest or, in the case of Floating Rate Notes, the Subsequent Margin, unless the Absolute GHG Emissions Condition or the Quantity of Recycled Plastics Condition, as the case may be, has been satisfied and notification has been made by the Issuer

confirming the satisfaction of the Absolute GHG Emissions Condition or the Quantity of Recycled Plastics Condition, as the case may be) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin

plus, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date;

As used in this Condition 6.3:

"**Par Call Period Commencement Date**" has the meaning given to it in the applicable Final Terms;

"**Par Call Period**" has the meaning given to it in the applicable Final Terms;

"**Redemption Margin**" shall be as set out in the applicable Final Terms;

"**Reference Bond**" shall be as set out in the applicable Final Terms;

"**Reference Dealers**" shall be as set out in the applicable Final Terms;

"**Reference Bond Rate**" means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers;

"**Subsequent Margin**" means the Initial Margin plus the Step Up Margin; and

"**Subsequent Rate of Interest**" means the Initial Rate of Interest plus the Step Up Margin.

All Notes in respect of which any such notice is given under this Condition 6.3 shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition 6.3.

Unless the Issuer defaults in payment of the redemption price, from and including any Optional Redemption Date interest will cease to accrue on the Notes called for redemption pursuant to this Condition 6.3.

6.4 Redemption following a Substantial Purchase Event (Clean-Up Call)

If a Substantial Purchase Event is specified in the Final Terms as being applicable and a Substantial Purchase Event has occurred, then the Issuer may at any time, subject to having given not less than 15 nor more than 30 days' notice, in accordance with Condition 13, to the Noteholders (which notice shall be irrevocable), redeem the Notes comprising the relevant Series in whole, but not in part, in accordance with these Conditions at their outstanding principal amount, together with any accrued and unpaid interest up to (but excluding) the date of redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

A "**Substantial Purchase Event**" shall be deemed to have occurred if at any time 20 per cent. or less of the aggregate principal amount of the Notes of the relevant Series originally issued (which for these purposes shall include any further Notes of the same Series issued subsequently) remains outstanding.

6.5 Redemption at the option of the Issuer (Issuer Maturity Par Call)

If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice (or such other period of notice as is specified in the applicable Final Terms), in accordance with Condition 13, to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at the Final Redemption Amount specified in the applicable Final Terms, together with any accrued and unpaid interest up to (but excluding) the date of redemption.

6.6 Redemption at the option of the Noteholders (Investor Put/Relevant Event Put)

If:

(a) Investor Put is specified as applicable in the relevant Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice, upon the expiry of such notice, and/or

(b) Relevant Event Put is specified as applicable in the relevant Final Terms, the Issuer shall promptly upon the Issuer becoming aware that a Relevant Event Put Event has occurred, and in any event within 14 days after the Issuer becoming aware of the occurrence of such Relevant Event Put Event, give a notice (a "**Relevant Event Put Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Relevant Event, following which, upon the holder of any Note giving notice to the Issuer in accordance with Condition 13 during the Relevant Event Put Period (as defined below),

the Issuer will redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling, in the case of a Relevant Event Put only, within the period of 60 days after the date on which the Relevant Event Put Event Notice is given (the "**Relevant Event Put Period**"), a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within (in the case of a Relevant Event Put only), the Relevant Event Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.6 shall be

irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6.

A "**Relevant Event Put Event**" shall be deemed to occur if

(i) any of (A) a Change of Control, (B) a Concession Event or (C) a Sale of Assets Event occurs (each, a "**Relevant Event**"); and

(ii) at the time of the occurrence of the Relevant Event the Notes carry from any Rating Agency either:

(A) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency assigning a solicited credit rating to the Notes is within 180 days of the occurrence of the Relevant Event either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or

(B) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency assigning a solicited credit rating to the Notes is within 180 days of the occurrence of the Relevant Event downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(C) no credit rating, and no Rating Agency assigns within 90 days of the occurrence of the Relevant Event an investment grade credit rating to the Notes

(each, a "**Rating Event**"), and

(iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Relevant Event.

A "**Change of Control**" shall be deemed to occur if more than 50% of the voting rights exercisable at a general meeting of the Issuer is acquired by any Person or Persons (other than Reference Shareholders) acting in concert.

A "**Concession Event**" shall be deemed to occur if at any time one or more of the Concessions (as defined below) granted to the Issuer or to any of its Principal Subsidiaries (a) is terminated or revoked prior to the original stated termination date and such termination or revocation becomes effective in accordance with its terms or (b) otherwise expires at its original stated termination date(s), such expiry becomes effective in accordance with its terms, and has not been extended or renewed, and such Concessions that are terminated, revoked or expired (as the case may be) pursuant to (a) and/or (b) above constitute, taken together, the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), provided that the *prorogatio* regime to which a Concession may be subject to between its expiry at the relevant stated termination date and the extension, renewal or new award of such Concession will not constitute a Concession Event.

"**Concession**" means a concession, an authorisation or other statutory provision or an administrative instrument, whether or not documented in a contract, or similar arrangements, pursuant to which an entity is entrusted by one or more public national or local authorities or entities (such as, *inter alios*, ministries or municipalities) with the management of public services (*servizi pubblici* pursuant to

Italian law) and/or public utility services/activities (*servizi di pubblica utilità/opera di pubblica utilità* pursuant to Italian law) including, without limitation, (i) waste management services (such as, *inter alia*, waste collection), (ii) integrated water services, (iii) gas distribution and supply (including, *inter alia*, heating services), (iv) electricity generation and co-generation (including, *inter alia*, distribution), and (v) the construction (if any), management and operation of related plants and similar facilities and services.

A "**Sale of Assets Event**" shall be deemed to occur if at any time (i) the Issuer or any of its Principal Subsidiaries is required by applicable law to sell, transfer, contribute, assign or otherwise dispose of assets comprising the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), or (ii) if such assets are expropriated (*espropriati* pursuant to Italian law) on the basis of an order of a public authority having jurisdiction over the Issuer or the relevant Principal Subsidiary.

"**acting in concert**" shall have the meaning ascribed thereto by Legislative Decree No. 58 of 24 February 1998 as subsequently amended and supplemented, and its implementing CONSOB regulations.

6.7 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, each Note will be redeemed at its Early Redemption Amount (as defined below). The early redemption amount payable in respect of the Notes (the "**Early Redemption Amount**") shall be calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(b) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1+AY)^{y}$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^{y} is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

6.8 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Where permitted by applicable law and regulation, all Notes purchased pursuant to this Condition 6.8 may be cancelled or held, reissued or resold at the discretion of the relevant purchaser.

6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6.8 above (together with all unmatured

Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4, 6.5 or 6.6 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7 Taxation

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in Italy; or

(b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5); or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(e) by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or

(f) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or

(g) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time.

As used herein:

(i) "**Tax Jurisdiction**" means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons; and

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8 Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9 Events of Default and Enforcement

9.1 Events of Default

If any of the following events (each, an "**Event of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) *Non-payment*: if default is made in the payment of (i) any principal due in respect of the Notes or any of them and the default continues for a period of seven days; or (ii) interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(b) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under these Conditions and the failure continues for a period of 30 days; or

(c) *Cross-default*: if (i) any Indebtedness for Borrowed Money (other than Project Finance Indebtedness) of the Issuer or any of its Principal Subsidiaries either (A) becomes due and repayable prematurely

by reason of an event of default (however described) or (B) becomes capable of being declared due and repayable prematurely (as extended by any originally applicable grace period) by reason of an event of default (however described); (ii) the Issuer or any of its Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money (other than Project Finance Indebtedness) on the due date for payment (as extended by any originally applicable grace period); (iii) any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness for Borrowed Money (other than Project Finance Indebtedness) becomes enforceable; or (iv) default is made by the Issuer or any of its Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money (other than Project Finance Indebtedness) of any other person; provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money (other than Project Finance Indebtedness) or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts (if any) of Indebtedness for Borrowed Money (other than Project Finance Indebtedness) and/or other liabilities due and unpaid relative to all other events specified in (i) to (iv) above, amounts to at least €40,000,000 (or its equivalent in any other currency); or

(d) *Winding up*: if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of (i) a Permitted Reorganisation (as defined above) or (ii) a reorganisation on terms approved in writing by a Resolution of the Noteholders; or

(e) *Cessation of business*: if the Issuer or any of its Principal Subsidiaries ceases to carry on the whole or a substantial part of its business then being conducted, save for the purposes of (A) a Permitted Reorganisation (as defined above), or (B) a reorganisation on terms previously approved by a Resolution of the Noteholders (and provided that neither the occurrence of a Concession Event nor of a Sale of Assets Event (each as defined in Condition 6.6) shall give rise to an Event of Default under this Condition 9.1(e) (for the purposes of this paragraph (e), a "**substantial part**" of an entity's business means a part of the relevant entity's business which accounts for 25% or more of the Group's consolidated assets and/or revenues as evidenced by the most recently available and duly approved audited consolidated financial statements thereof); or

(f) *Insolvency, etc.*: if (i) proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or any material part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any material part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 90 days (for the purposes of this paragraph (f), "**material part**" means 25% or more by value of the whole as evidenced by the most recently available and duly approved audited consolidated financial statements of the Group); or

(g) *Other proceedings*: if the Issuer or any of its Principal Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of

a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement outside the ordinary course of business with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save for the purposes of reorganisation on terms approved by a Resolution of Noteholders; or

(h) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or

(i) *Analogous events*: if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have, an analogous effect to any of the events referred to in subparagraphs (d) to (g) above.

10 Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11 Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, without the prior approval of the Noteholders, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given by the Issuer to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13 Notices

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of Euronext Dublin, a daily newspaper of general circulation in Ireland or Euronext Dublin's website, https://live.euronext.com/. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Irish Times* in Ireland. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13A Available Information

This Condition 13A applies to Sustainability-Linked Notes in respect of which the applicable Final Terms indicates that the Step Up Option is applicable.

Beginning with the annual financial statements of the Issuer for the fiscal year ending on 31 December following the Issue Date of the Sustainability-Linked Notes, for so long as any such Sustainability-Linked Notes are outstanding, the Issuer will publish its annual audited consolidated financial statements as at and for such financial year (the "**Annual Report**") on its website in accordance with applicable law. In addition to each such Annual Report, the Issuer will publish another document (each such report document to be prepared either pursuant to Legislative Decree 254/2016 or to be in the form of any such other sustainability report as the Issuer deems necessary, a "**Consolidated disclosure of Non-Financial Information**") which discloses (i) (a) the Absolute GHG Emissions; and/or (b) the Quantity of Recycled Plastics, each in respect of the relevant Sustainability Performance Reference Period; (ii) if applicable, the occurrence of any Recalculation Event and the related New First Absolute GHG Emissions Threshold and/or New Second Absolute GHG Emissions Threshold resulting from the occurrence of any such Recalculation Event; and

(iii) any other relevant information which may enable investors to monitor the Issuer's progress towards the satisfaction of the relevant Sustainability-Linked Note Condition.

Each such Consolidated disclosure of Non-Financial Information shall include, or be accompanied by, a verification assurance report issued by the External Verifier (a "**Verification Assurance Report**"). Each Consolidated disclosure of Non-Financial Information and related Verification Assurance Report will be published no later than 30 June of each year; provided that to the extent the Issuer determines that additional time will be required to complete the relevant Consolidated disclosure of Non-Financial Information and/or related Verification Assurance Report, then such Consolidated disclosure of Non-Financial Information and related Verification Assurance Report shall be published as soon as reasonably practicable, but in no event later than 31 August of each year (the "**Sustainability Performance Reporting Deadline**").

It is understood that any failure by the Issuer to make the information referred to in this Condition 13(A) available in any 12 month period shall not result in the occurrence of an Event of Default under these Conditions and it will give rise to the application of a Step Up Event in accordance with the Absolute GHG Emissions Condition and/or the Quantity of Recycled Plastics Condition, as the case may be, only in the circumstances in which such failure to make any such information referred to in this Condition 13(A) available occurs in a 12 month period ending on an Observation Date.

14 Meetings of Noteholders

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Resolution (as defined in the Agency Agreement) of the Notes, the Coupons, any of these Conditions and/or any of the provisions of the Agency Agreement.

In relation to the convening of meetings, quorums and the majorities required to pass a Resolution (as defined in the Agency Agreement), the following provisions shall apply in respect of the Notes but are subject to compliance with mandatory laws, legislation, rules and regulations of Italy (including, without limitation, the Italian Civil Code and Legislative Decree No. 58 of 24 February 1998 as amended) and the By-laws of the Issuer in force from time to time and shall be deemed to be amended, replaced and supplemented to the extent that such laws, legislation, rules and regulations and the By-laws of the Issuer are amended at any time while the Notes remain outstanding. Italian law currently provides that any such meeting may be convened by the board of directors of the Issuer and/or the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon the request of Noteholders holding not less than one-twentieth of the aggregate principal amount of the Notes of any Series for the time being outstanding. If the board of directors of the Issuer defaults in convening such a meeting following such request or requisition by the Noteholders representing not less than one-twentieth of aggregate principal amount of the Notes of any Series for the time being outstanding, the same shall be convened by the board of statutory auditors of the Issuer (or other equivalent corporate body) or, in the case of failure, by decree of the competent court if the default is unjustified upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code and the By-laws of the Issuer in force from time to time.

Such a meeting will be validly held (subject to compliance with mandatory laws, legislation, rules and regulations of Italy in force from time to time) if (i) in the case of a sole call meeting, there are one or more persons present being or representing Noteholders holding at least one-fifth of the principal amount of the outstanding Notes; or (ii) in the case of multiple call meetings, (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding

more than one half of the aggregate principal amount of the outstanding Notes, (b) in the case of a second meeting, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes and (c) in the case of a third meeting or any subsequent meeting following a further adjournment, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate principal amount of the outstanding Notes, provided however that the Issuer's By-laws may in each case (to the extent permitted under the applicable Italian law) provide for a higher quorum. For the avoidance of doubt, each meeting will be held as a sole call meeting or as a multiple call meeting depending on the applicable provisions of Italian law and the Issuer's By-laws, as applicable from time to time. The majority required to pass a resolution at any meeting convened to vote on any resolution will be one or more persons holding or representing at least two thirds of the aggregate principal amount of the Notes represented at the meeting; provided, however, that (A) certain proposals, as set out in Article 2415, paragraph 1, item (2) of the Italian Civil Code (including any proposal to modify the maturity of the Notes or the dates on which interest is payable on them; to reduce or cancel the principal amount of, or interest on, the Notes; or to change the currency of payment of the Notes) (each, a "**Reserved Matter**") may only be sanctioned by a resolution passed at a meeting of Noteholders (including any adjourned meeting) by the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting and (B) the Issuer's By-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities. A Resolution (as defined in the Agency Agreement) passed at any meeting of the Noteholders in accordance with applicable law and the provisions set forth in the Agency Agreement will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

14.2 Noteholders' Representative

A joint representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Article 2417 of the Italian Civil Code in order to, *inter alia*, represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of Noteholders, the Noteholders' Representative shall be appointed by a decree of the competent Court at the request of one or more Noteholders or at the request of the directors of the Issuer pursuant to Article 2417 of the Italian Civil Code. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

15 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue price and the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase

on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgment or order.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 Governing Law and Submission to Jurisdiction

18.1 Governing law

The Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 14 (*Meetings of Noteholders*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

18.2 Submission to jurisdiction

Each party hereto irrevocably agrees, for the benefit of the other parties, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

Each party hereto waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

18.3 Appointment of Process Agent

The Issuer appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another agent for service of process in England in respect of any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes and the Coupons) and shall immediately notify Noteholders of such appointment in accordance with Condition 13 (*Notices*). Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

18.4 Other documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer, as indicated in the applicable Final Terms, either:

(a) for its general corporate purposes, which include making a profit and/or to refinance existing indebtedness; or

(b) to finance and/or refinance, in whole or in part, Eligible Green Projects.

Only Tranches of Notes financing or refinancing Eligible Green Projects will be denominated "*Green Bonds*".

Eligible Green Projects have been/will be defined in accordance with the broad categorisation of eligibility for Green Projects set out by the ICMA GBP.

For these purposes:

"**Eligible Green Projects**" means projects with a positive impact in terms of environmental sustainability, in accordance with the broad categorisation of eligibility for green projects pursuant to the then applicable "Green Bond Principles" ("**GBP**") published by the International Capital Market Association, as further specified under the "Green Financing Framework" published on the Hera's website (https://eng.gruppohera.it/documents/1514726/4185705/Green+Financing+Framework.pdf/72a048cf-305c-ac55-a4de-b943e7eb3014?t=1593611023874) as set out in the applicable Final Terms, under "*Reasons for the offer – Use of proceeds*"

A second party consultant appointed by the Issuer (ISS-oekom SPO) has reviewed Hera's "Green Financing Framework" and issued a second party opinion on 19 June 2019 (the "**Green Financing Framework Second Party Opinion**"). The Green Financing Framework Second Party Opinion is available on the Issuer's website (https://eng.gruppohera.it/documents/1514726/4185705/Second+Party+Opinion%C2%A0.pdf/b4bb4a37-48a1-f0ba-27a0-a7fa5bbfd5d4?t=1593611024206).

Neither the Green Financing Framework nor the Green Financing Framework Second Party Opinion are incorporated into, or form part of, the Base Prospectus.

DESCRIPTION OF THE ISSUER AND THE GROUP

OVERVIEW

Hera S.p.A. ("**Hera**") is a joint stock company (*società per azioni*) incorporated under Italian Law, including, *inter alia*, Articles 2325 and followings of the Italian Civil Code, on 10 March 1995 with the legal name of Seabo S.p.A., currently having its registered office at Viale Carlo Berti Pichat No. 2/4, 40127 Bologna, Italy and registered with the Companies' Register of Bologna under No. 04245520376, Fiscal Code Number 04245520376 and VAT Number 03819031208. Hera may be contacted by telephone on +39 051 287111 and by fax on +39 051 287525.

Pursuant to its By-laws, Hera's term of incorporation shall last until 31 December 2100, subject to extension.

The corporate objects of Hera, as provided by its By-laws, are, *inter alia*, to carry out, in Italy and overseas, directly or indirectly – through equity interests in any kind of company, public body, consortium or enterprise – public services (*servizi pubblici* pursuant to Italian law) and public utility services (*servizi di pubblica utilità* pursuant to Italian law). Hera may also engage in real estate, commercial, industrial and financial transactions, or participate in competitive tenders for the purpose of providing local public services or other public utility services, as well as any other activity connected to its corporate objects. Hera may also carry out, directly and/or indirectly – through the acquisition of equity interests in other companies, public entity, consortium or enterprise – any other activity which is instrumental, related or complementary to its core business activities or that furthers the achievement of its corporate purpose, excluding those activities reserved by law to particular categories of parties. Hera may not engage in financial activities with the public.

As at the date of this Base Prospectus, Hera has a fully paid-up share capital of €1,489,538,745, divided into 1,489,538,745 shares of a nominal value of €1 each. The ordinary shares of Hera have been listed since June 2003 on the *Mercato Telematico Azionario*, the screen-based market of the Italian stock exchange, managed by Borsa Italiana S.p.A. As at the date of this Base Prospectus Hera has a market capitalisation of approximately €5.2 billion.

Hera is the holding company of the group consisting of Hera and its consolidated subsidiaries (collectively, the "**Hera Group**") (see also *"- Hera Group*", below). The Hera Group is an industrial group in the integrated multi-utility services market which operates in the sectors of electricity (production, transport, distribution and sale), heat (production and sale), gas (distribution and sale), integrated water services, environmental services (collection and disposal of waste) at a supra-regional level in about 310 municipalities across, *inter alia*, Bologna, Ravenna, Rimini, Forlì, Cesena, Ferrara, Modena and Imola (in the Emilia Romagna region), in the contiguous province of Pesaro-Urbino (in the Marche region) and in the province of Pisa and Florence (in the Tuscany region), in the provinces of Trieste, Gorizia and Udine (in the Friuli Venezia Giulia region) and Padua (in the Veneto region). The Hera Group also provides other public utility services which include telecommunications, public lighting, traffic light services and facility management. For further information, see "- *Business of the Hera Group*".

HISTORY AND DEVELOPMENT OF THE HERA GROUP

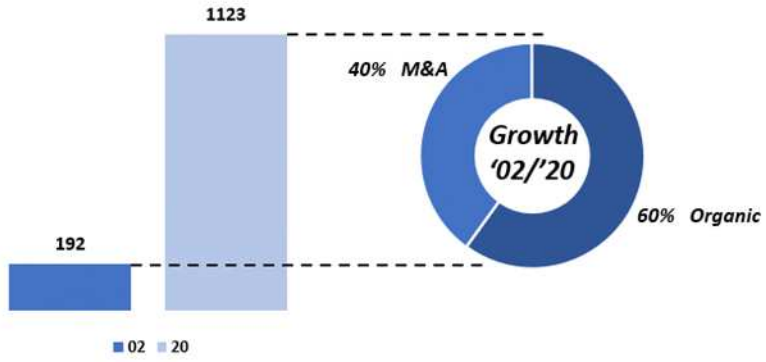
From the set-up to 2020

The Hera Group was created on 1 November 2002 from the consolidation of eleven public utility companies operating in the Emilia Romagna region with the aim of improving the quality of services provided to citizens in basic areas such as energy, water and environmental services and taking advantage of the significant synergies and efficiency levels made possible by this operation.

In June 2003, the Hera Group was partially privatised, with the placement of approximately 44.5% of Hera's share capital on the *Mercato Telematico Azionario*.

Since its initial public offering, Hera has continued its consolidation process with the aggregation of other multi-utility companies with similar or complementary business portfolios. In particular, Hera has continued the development and growth of the Hera Group through the pursuit of 22 mergers of multi-utilities operating in neighbouring territories and 20 acquisitions of mono-business companies (*e.g.* waste treatment and energy supply) operating not only in the surroundings, without taking into account the Hera-Ascopiave Partnership and the consequent Group reorganisation (in this respect, see "*Partnership between the Hera Group and Ascopiave*").

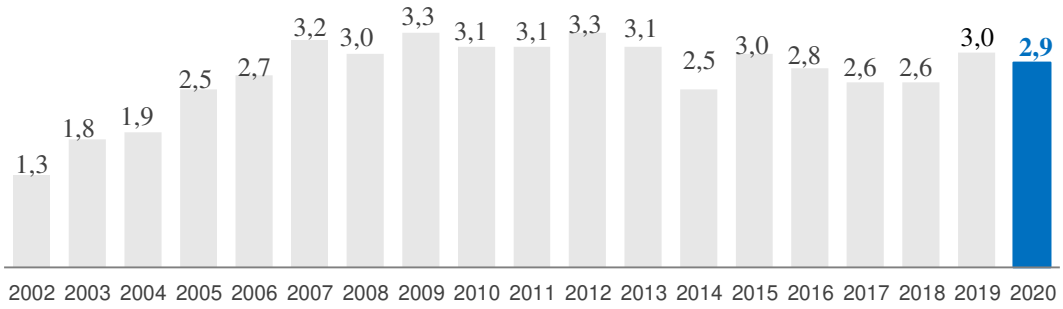
The following graph shows the contribution of both M&A transactions and organic growth to the Group EBITDA increase.



Despite of the turbulent environment due to the occurrence of major events (such as gas supply market liberalisation, Italian power generation overcapacity, weak GDP growth, climate change events, several waste management crisis, difficult authorisation process to expand waste plants, change in regulations, sovereign debt crisis and the so-called Robin Hood tax) since the date of its creation, the Hera Group has performed an un-interrupted growth.

Such un-interrupted growth ended up in an increased EBITDA and Net invested capital by 5.8 times. The Net debt to Ebitda Ratio for 2020 decreased coming to 2.87x, as compared to the 2019 ratio (3.02x), despite a constant and increasing dividend per share payed, and to 25.2% FFO / Net Debt.

The graph below shows Net Debt to Ebitda Ratio trend from 2002 to 2020.



Furthermore, from its incorporation to 2020 Hera recorded a 1.2% cagr (compound annual growth rate) constant growth in Adjusted Roi, an increasing cash-generating capex. (with a Cash Flow equal to €803

million in 2018, €843 million in 2019 and € 874 million in 2020) and an increasing Net Invested Capital, up to €6.4 billion in 2020.

Such growth continued in the first half of 2021. In particular, the Group's Ebitda came to €618 million, with a substantial increase compared to the first half of 2020 and 2019 (equal to, respectively, €560 million and €546 million); Cash Flow totalled €510 million as at and for the period ending 30 June 2021, increasing by 16.3% compared to the first half of 2020 (€439 million) and by 18.4% compared to the first half of 2019 (€431 million); Net Result was equal to €236 million in the first half of 2021, while in the corresponding period of 2020 and 2019 amounted to, approximately, €175 million. Furthermore, Net Debt to Ebitda decreased compared to the corresponding period of the previous years (2,50x at 30 June 2021 against 2,81x in the first half of 2020 and 2,62x in first half of 2019.

The integration process resulted in the creation of value through the synergy and rationalisation of activities and thus strengthened Hera's market position achieving economies of scale in its main business areas: waste services, energy and water cycle.

The organic growth has been fostered by the following drivers:

- cost cutting, including, by way of example, procurement cost, overheads, control on personnel turnover and synergies among Hera Group companies, mainly by merging a large number of small-medium sized companies and achieving economies of scale;
- efficiency gains, by moving towards an industrial approach to business management, mainly through the development of IT systems, unique remote control of Networks and internal benchmarking among the Group companies to deploy best practices innovation in, *inter alia*, digitalisation and artificial intelligence as well as continuous training of personnel and variable remuneration system linked to Group results;
- top line growth mainly through cross selling, increase and/or adjust tariffs/prices by inflation, interest rates (spread) and by development capex and expansion customer base mainly in electricity supply.

Partnership between the Hera Group and Ascopiave

On 17 June 2019, the Board of Directors of Hera and Ascopiave S.p.A. ("**Ascopiave**") approved the signing of a binding term sheet intended to develop a major entity in energy and gas distribution in the areas of North-East Italy. On 30 July 2019, Hera and Ascopiave entered into a framework agreement (the "**Framework Agreement**") defining the geographical areas involved, the economic terms and the governance structure of the partnership (the "**Hera-Ascopiave Partnership**"). The completion of such transaction occurred on 19 December 2019.

As regards the energy sector, the Hera-Ascopiave Partnership involves the creation of a single operator with over one million customers for their respective businesses in the Veneto, Friuli-Venezia Giulia and Lombardy regions, through EstEnergy S.p.A., a company already jointly controlled by both the Hera Group and the Ascopiave group ("**EstEnergy**"). More specifically, the sales assets pertaining to the Ascopiave group (through the controlled companies Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A., Etra Energia S.r.l. and the associated companies Asm Set S.r.l. and Sinergie Italiane S.r.l., in liquidation) and those pertaining to the Hera Group (through the controlled company Hera Comm Nord-Est S.r.l.), merged into EstEnergy, over which the Hera Group obtained full control.

As regards the gas distribution business, Ascopiave acquired from the Hera Group, for a price set at €168 million, an area of concessions covering roughly 188,000 users in the Veneto and Friuli-Venezia Giulia regions, which as of 31 December 2019 merged into the company AP Reti Gas Nord-Est, entirely controlled by Ascopiave. The value of the net assets transferred, almost entirely consisting in distribution networks and related plants, amounted to €134.3 million. The transfer created a capital gain coming to €30.2 million.

In particular, in the context of such transaction:

- the Hera Group acquired 49% of the shares of EstEnergy from Ascopiave, obtaining total control over the company;
- EstEnergy acquired shareholdings in Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A., Etra Energia S.r.l., ASM SET S.r.l., Sinergie Italiane S.r.l., in liquidation, and Hera Comm Nord Est S.r.l. (this latter operation does not qualify as an acquisition because the company was already controlled by the Hera Group);
- 48% of the shares of EstEnergy has been transferred from the Hera Group to Ascopiave, following all of the previous transactions.

At the end of this corporate reorganisation, 52% of the share capital of EstEnergy was held by the Hera Group and 48% by Ascopiave. At the same time, Ascopiave was given an irrevocable put option regarding its minority shareholding in EstEnergy. This option may be exercised annually, at discretion involving all or part of the shareholding, within the period of time from 15 July to 31 October in each year and, in any case, within 31 December 2026.

According to IAS/IFRS international accounting standards, the option on Estenergy shares currently held by Ascopiave has been classified in the financial statements as financial debt (and not as a derivative instrument). In line with its own accounting policies, the Hera Group has not recorded Ascopiave's minority shareholding in its consolidated financial statements, thus considering the shareholding in EstEnergy, from an accounting point of view, as entirely owned.

In addition, in the context of such reorganisation, the Hera Group directly acquired control over AmgasBlu S.r.l., an energy sales company operating in the province of Foggia, which however does not fall within the partnership agreement concerning energy business activities in North-Eastern Italy.

Furthermore, Hera transferred 3% of the share capital of Hera Comm S.p.A. to Ascopiave for €54 million.

In 2020, in accordance with the agreements set out in the Framework Agreement, the Hera Group acquired, through several transactions, 4.9% of the share capital of Ascopiave.

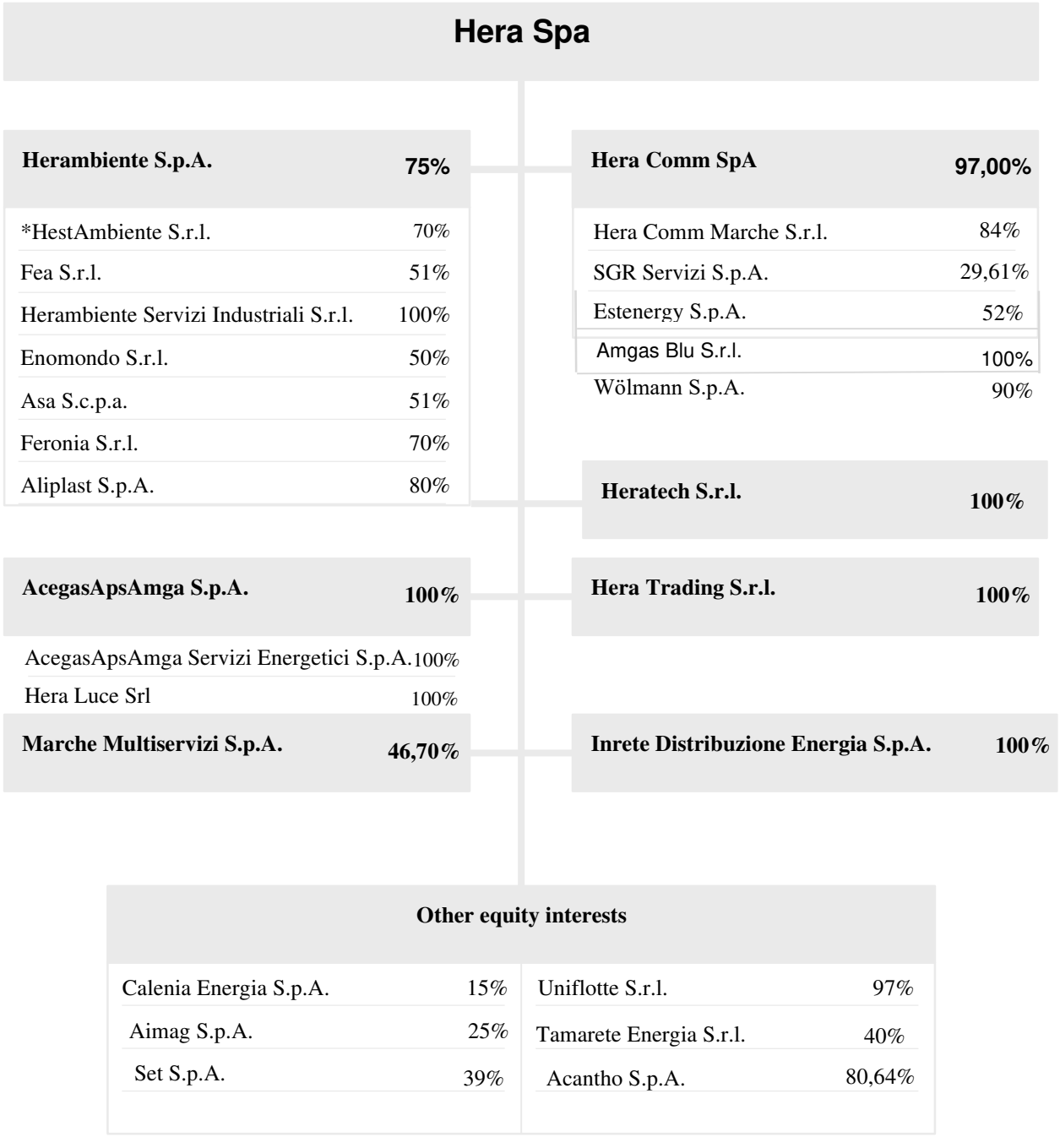
Partnership between the Hera Group and Eni

On 20 November 2020, Eni S.p.A. and the Hera Group, through their respective subsidiaries Eni Rewind S.p.A. and Herambiente, entered into an agreement to establish a joint venture which, by pooling the technical-management know-how of the two companies, was expected to create a multifunctional platform for the pre-processing and processing of special waste in the Ravenna industrial area. The initiative aimed to make a concrete contribution to the structural shortage of special waste management facilities in Italy and to maximise the recovery of materials and energy.

On 3 March 2021, HEA S.p.A. ("**HEA**") has been incorporated by Herambiente and Eni Rewind S.p.A. HEA will operate in the construction of a new multi-purpose platform in the "Ponticelle" site for managing solid and liquid, hazardous and non-hazardous waste processing services.

HERA GROUP

The following diagram sets forth the organisational structure of the Hera Group as at 30 June 2021.



*30% AcegasApsAmga S.p.A.

The Hera Group's business model is based on a centralised integrated management approach according to which the activities capable of giving rise to economies of scale are carried out directly by the holding company, while operational activities requiring closer contact with customers and public local authorities are entrusted to territorial business units in order to maximise efficiency and to maintain ties with the areas served, thus preserving the competitive advantage of proximity to customers. For further information, see "- *Business of the Hera Group*".

In this context, Herambiente S.pA. ("**Herambiente**") was established in 2009 as a waste-disposal spin-off, ensuring coordinated plant management across the nation. Herambiente in turn established Herambiente Servizi Industriali S.r.l., a company that is targeted to an industrial customer base.

Hera Comm S.p.A. ("**Hera Comm**"), 97,00% controlled by Hera, with 3.3 million customers, represents the Hera Group on national energy markets.

Hera Trading S.r.l. ("**Hera Trading**"), 100% controlled by Hera, deals with trading and procurement of wholesale energy commodities through a flexible rationale of supply on the international markets.

Inrete Distribuzione Energia S.p.A. ("**Inrete Distribuzione Energia**"), 100% controlled by Hera, manages the distribution of natural gas and electricity mainly in the Emilia Romagna region.

Over the years, the Hera Group's expansion through external lines has resulted in the integration of over a dozen other multi-utility companies. In order to produce synergies, exploit scale economies and convey know-how, these transactions have been achieved by mergers through incorporation into the holding company. Marche Multiservizi S.p.A. ("Marche Multiservizi") and AcegasApsAMGA S.p.A. ("AcegasApsAMGA") are both multi-utility companies operating in the Marche region and in the Triveneto area respectively, which have maintained their own corporate structure even after the integration into the Hera Group. The aim behind this was to maintain a well-rooted and stable presence in these areas, with a twofold objective: guaranteeing geographical proximity and seizing further opportunities for expansion.

STRATEGY

Since its establishment, Hera's strategic objective has always been the creation of value from a multi-stakeholder perspective, in the medium and long-term. In so doing, Hera has undertaken a strategy of uninterrupted growth and increased efficiency in its core business activities addressing merger and acquisition opportunities with companies operating in similar or complementary areas of business in order to both consolidate its market position and exploit synergies and economies of scale.

On 13 January 2021, in light of the positive results of 2020, Hera amended its five-years business plan up to 2024 (the "**2020 – 2024 Business Plan**") then presented to the investors and the wider business community. The 2020 - 2024 Business Plan reflects the company's renewed commitment towards development and growth, with higher expectations compared to the previous plan, planning actions in areas including energy transition and environmental protection, technological evolution and social cohesion. In particular, the 2020 - 2024 Business Plan sets up the following focal points:

- **Environment**: focuses on promoting a circular economy by recovering, reusing and regenerating resources. Interventions are aimed at increasing infrastructural resilience and at preventing and mitigating risks. This area also includes all actions aimed at countering climate change in order to reach carbon neutrality, promoting bioenergies / green gas and energy efficiency;
- **Socio-economic factors**: involves the creation of "shared value" for stakeholders and the areas served, leveraging the Group's physical and commercial assets, with new services having added value for customers, collaborations with external partners and projects for understanding local and social needs, as well as through carrying out integration transactions or participating intenders for regulated services;

- **Innovation**: consists of taking advantage of the opportunities linked to technological evolution, digitalisation, artificial intelligence and data analysis to increase efficiency and service quality, with increasingly agile employment solutions, while maintaining the correct balance between people and technology.

The structure of the 2020 - 2024 Business Plan has been set out taking into account, *inter alia*, the sustainable development goals set out by the United Nations as well as the extraordinary measures – including the "Next Generation EU" Program – planned by the European Union to face the complex scenario seen in 2020 and limit the impact of the crisis.

BUSINESS OF THE HERA GROUP

OVERVIEW

The businesses of the Hera Group include both fully regulated services managed under "licensed concessionary regimes": waste collection services, distribution of electricity and gas (both natural and liquid propane gas), integrated water services and district heating (*teleriscaldamento*) (collectively, the "**Regulated Activities**") and businesses managed under "free competition" regimes: the sale of gas and electricity, hazardous and non-hazardous special waste management, heat management services, co-generation and public lighting (collectively, the "**Liberalised Activities**"). The Regulated Activities are directly managed by Hera, Inrete and AcegasApsAMGA whilst the Liberalised Activities are managed through Hera's and AcegasApsAMGA's subsidiaries.

As at the date of this Base Prospectus, the business of the Hera Group is balanced in terms of contribution to EBITDA from Regulated Activities and Liberalised Activities, which accounted for approximately 47% and 53%, respectively, of the Hera Group's EBITDA as at 31 December 2020. Specifically, as at 31 December 2020, the Group's EBITDA for Regulated Activities was equal to approximately €527.5 million, of which €265.8 million for integrated water services, approximately €136.0 million for gas distribution,

approximately €45.9 million for electricity distribution, approximately €12.9 million for district heating (*teleriscaldamento*) and approximately €66.9 million for waste collection services. While the Group's EBITDA for Liberalised Activities as at the same reference date was equal to approximately €595.5 million, of which approximately €367.8 million for energy supply (taking into account the contribution of approximately €200.0 million for gas sales and trading, approximately €25.5 million for heat management, approximately €92.4 million for electricity sales and trading and approximately €49.9 million for power generation strategic areas), approximately €191.1 million for waste management and €36.7 million for other activities.

The table below shows the main key performance indicators of the HERA Group's Regulated Activities other than district heating (*teleriscaldamento*) in respect of which tariffs are not defined by ARERA:

Value drivers	**Integrated water services**	**Gas distribution**	**Electricity distribution**	**Waste collection services**
RAB [(1)] (b€)	1.60	1.01	0.37	0.4
Return (real pre-tax) [(2)]	5.3%*	6.3%*	5.9%*	6.3%*
Concession length	~2024	/	2030	/
Tenders	Ongoing	Ongoing	/	Ongoing
Independent Authority (national)	ARERA	ARERA	ARERA	ARERA

[(*)] data as at 31 December 2020.

[(1)] The regulatory asset base referred to 31 December 2020.

[(2)] Rate of return on invested capital for infrastructure services (WACC).

With respect to the Liberalised Activities, the Hera Group has the largest asset base in Italy in waste treatment and a fast growing treatment price, due the Italian infrastructural gap compared to other European Countries. In energy supply, the Hera Group has expanded its customer base to 3.4 million customers.

MAIN BUSINESS AREAS

The Hera Group operates in five main business areas:

(i) waste management services, which include services related to solid urban waste, including the collection and transport of urban waste, urban cleaning and the recovery and disposal of urban waste, and services related to special waste, primarily the treatment and disposal of hazardous and non-hazardous special waste;

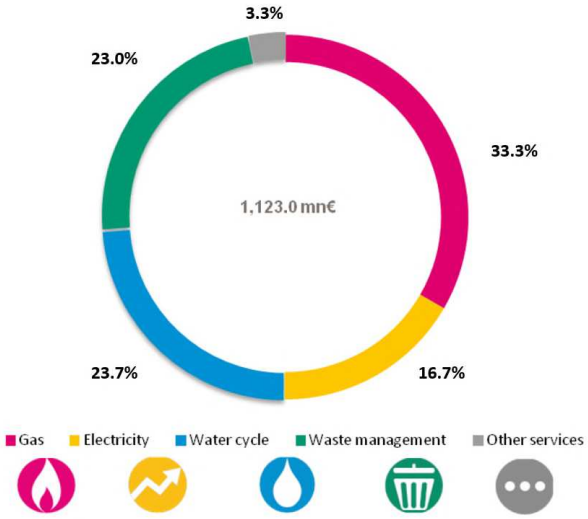
(i) energy services – gas and district heating services, which include the sale and distribution of natural gas and liquid propane gas (LPG) and the associated provision of district heating and heat management services;

(ii) energy services – electricity and co-generation services, which include both the distribution, sale and the generation of electricity activities through combined cycle and co-generation power plants;

(iii) integrated water services, which include the provision of fresh water services, sewage services and waste water treatment services; and

(iv) other services, which include the operation of public lighting, traffic light management, telecommunications and other minor services.

The chart sets forth the proportion of the Hera Group's total EBITDA represented by each business area at the year-end 2020.



KEY CONCESSIONS

The following is a summary of the Hera Group's key concessions, through which it carries out its Regulated Activities:

- **Waste collection services**: The urban waste collection and cleaning activities of the Hera Group's waste management services business operate in approximately 190 municipalities in Italy. As at the date of this Base Prospectus, the Hera Group's concessions for this business have expired in the Emilia Romagna region and therefore in this area the Hera Group runs the waste collection and cleaning activities pursuant to a prorogation regime, save for the Ravenna Cesena concession. With respect to the Municipalities of Modena and Bologna a tender procedure is in place as at the date of this Base Prospectus.

- **Distribution of natural gas and LPG**: The Hera Group operates its gas distribution business across 223 municipalities. This business is conducted pursuant to concessions originally granted for a duration of 10 to 30 years or more, depending on the original agreements concluded with each municipality. These arrangements have been modified, however, by Italian Decree 164/2000 of 23 May 2000 (the "**Letta Decree**"), implementing Directive 98/30/EC, and by subsequent amendments, which provide for a transitional period during which existing operators, such as the Hera Group, continue providing services under the original concessions until the selection of a new concessionaire by means of a public tender.

- **Distribution of electricity**: The Hera Group's electricity distribution business operates in 26 municipalities in the Province of Bologna, Modena, Trieste and Gorizia, and in the Municipality of Imola. The Hera Group's concessions for this business will expire in 2030.

- **Integrated water cycle**: The Hera Group's integrated water cycle business operates in over 230 municipalities, under agreements with various local authorities (generally, provincial authorities). The Hera Group's concessions for this business are set to expire after 2020, save for the concession in the Province of Rimini (which has already expired and in respect of which a new tender procedure

is in place as at the date of this Base Prospectus) and the concession to run such business in Abano Terme which expired in 2015 and is currently in a prorogation regime.

- **Public Lighting**: The Hera Group operates the public lighting business in over 188 municipalities under agreements with various local authorities. Most of the Hera Group's concessions for this business are due to expire after 2030, while certain concessions have already expired and are currently in a prorogation regime and in respect of them a new tender procedure is expected to take place.

FINANCIAL OVERVIEW

This paragraph contains financial information and data summarized, extracted or derived from the Issuer's audited consolidated annual financial statements as at and for the financial year ended 31 December 2020 and 2019 and/or unaudited interim consolidated financial statements of Hera as at and for the six months ended 30 June 2021 prepared in accordance with IFRS and/or the Issuer's accounting records (with respect to financial data) and also includes and discusses certain management and operational information and data summarized, extracted or derived from the Issuer's management reporting system.

The following table sets forth a financial overview in relation to the Hera Group's profits for the year ended 31 December 2020 and the year ended 31 December 2019

	Year ended 31 December		
	2020	**2019**	**change %**
	In millions of Euro	*In millions of Euro*	
Revenue	7,079.0	6,912.8	+2.4%
Other operating revenues	467.8	530.8	(11.9)%
Use of raw materials and consumables	(3,410.6)	(3,458.2)	(1.4)%
Service costs	(2,424.9)	(2,318.2)	+4.6%
Other operating costs	(58.9)	(59.3)	(0.7)%
Personnel costs	(572.7)	(560.4)	+2.2%
Capitalised costs	43.3	37.6	+15.1%
EBITDA (1)	**1,123.0**	**1,085.1**	**+3.5%**
Amortisation, depreciation, provisions	(571.7)	(542.6)	+5.4%
EBIT (2)	**551.3**	**542.5**	**+1.6%**
Financial operations (3)	(116.7)	(126.0)	(7.4)%
Other non-operating income/(expenses)	-	111.6	(100.0)%
Pre-tax result	**434.6**	**528.1**	(17.7)**%**
Taxes	(111.8)	(126.1)	(11.3)%
Net result	**322.8**	**402.0**	(19.7)**%**
Result from special items (4)	-	(84.9)	(100.0)%
Adjusted Net result	**322.8**	**317.1**	**+1.8%**

———————

Note:

(1) EBITDA means net profit before amortisation, depreciation and provisions, total financial operations, other non-operating income/(expenses) and taxes.

(2) EBIT means net profit before total financial operations, other non-operating income/(expenses) and taxes.

(3) Financial management related to total financial operations.

(4) Measure placed between net results and net income for the period, thus allowing the performance of the Group's characteristic management to be read more clearly. The special items for financial operations in 2019 concern the loss of value resulting from the valuations carried out during impairment tests for electricity generation assets:

. financing to Tamarete Energia S.r.l. amounting to €11.6 million;

a. shareholding in Set S.p.A. amounting to €9.1 million;

b. shareholding in Calenia Energia Spa amounting to €5.2 million.

The special items for non-recurring operations in 2019 include the effects related to the Hera - Ascopiave Partnership, specifically:

a. revaluation at fair value of the shareholding previously held in the company EstEnergy, of which the Group had joint control, in relation to the acquisition of control of the same, amounting to €81.4 million, pursuant to the content of the IFRS 3 standard for business combinations carried out in several stages (step acquisition);

b. a net capital gain coming to €30.2 million resulting from transferring control of the newly established company AP Reti Gas Nord Est S.r.l., into which the corporate branch Distribuzione Reti Gas had been conferred.

For further information see page 57 of the 2020 consolidated financial statements incorporated by reference herein (see the "*Documents incorporated by reference*").

The following table sets forth a financial overview in relation to the Hera Group's profits for the half-year period ended 30 June 2021 and the half-year period ended 30 June 2020

	Half-year period ended 30 June		
	2021	**2020**	**change %**
	In millions of Euro	*In millions of Euro*	
Revenue	4,179.7	3,402.3	22.8%
Other operating revenues	140.2	222.6	(37.0)%
Use of raw materials and consumables	(2,128.5)	(1,605.1)	32.6%
Service costs	(1,260.1)	(1,151.0)	9.5%
Other operating costs	(37.9)	(32.5)	16.6%
Personnel costs	(301.8)	(290.9)	3.7%
Capitalised costs	26.3	14.3	83.9%
EBITDA (1)	**617.9**	**559.7**	10.4%
Amortisation, depreciation, provisions	(274.3)	(264.0)	3.9%
EBIT (2)	**343.6**	**295.7**	16.2%
Financial operations (3)	(83.6)	(56.2)	48.8%
Other non-operating income/(expenses)	-	-	0%
Pre-tax result	**260**	**239.5**	8.6%
Taxes	(23.8)	(64.6)	(63.2)%
Net result	**236.2**	**174.9**	**35.0%**
Result from special items	24.7	-	100.0%
Adjusted Net result	**211.5**	**174.9**	**20.9%**

Note:

(1) EBITDA means net profit before amortisation, depreciation and provisions, total financial operations, other non-operating income/(expenses) and taxes.

(2) EBIT means net profit before total financial operations, other non-operating income/(expenses) and taxes.

(3) Financial management related to total financial operations.

The following table sets forth the proportion of the Hera Group's total revenues and EBITDA represented by each business area for 2020 as compared to 2019.

	Year ended 31 December			
	2020		**2019**	
	Total revenues [(1)]	**EBITDA** [(2)]	**Total revenues** [(1)]	**EBITDA** [(2)]
Gas and district heating services	**42.5%**	**33.3%**	38.0%	**31.5%**
Distribution and other services	/	12.1%	/	13.9%
Sales & trading	/	17.8%	/	14.6%
District heating	/	1.1%	/	1.5%
Heat management	/	2.3%	/	1.5%
Electricity services	**29.3%**	**16.7%**	33.2%	**16.4%**
Distribution and other services	/	4.1%	/	4.4%
Sales & trading	/	8.2%	/	8.0%
Power generation	/	4.4 %	/	4.0%
Integrated water services	**11.2 %**	**23.7%**	11.7%	**24.5%**
Waste management services	**15.1%**	**23.0%**	15.2%	**24.3%**
Other services	**1.9%**	**3.3%**	1.9%	**3.3%**
	100.0%	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Percentage calculated on total segment revenue, including intercompany operations.

(2) Percentage calculated on total segment EBITDA, including intercompany operations.

The following table sets forth the proportion of the Hera Group's revenues and EBITDA represented by each business area for the half-year period as at 30 June 2021 as compared to the half-year period as at 30 June 2020.

	Half-year period ended 30 June			
	2021		2020	
	Total revenues [1]	EBITDA [2]	Total revenues [1]	EBITDA [2]
Gas and district heating services	**48.6%**	**39.5%**	43.1%	35.9%
Distribution and other services	/	12.6%	/	13.4%
Sales & trading	/	22.2%	/	20.1%
District heating	/	1.5%	/	1.4%
Heat management	/	3.2%	/	1.0%
Electricity services	**25.4%**	**14.5%**	28.9%	17.3%
Distribution and other services	/	3.4%	/	3.8%
Sales & trading	/	8.1%	/	8.0%
Power generation	/	3.0%	/	5.5%
Integrated water services	9.9%	19.8%	10.9%	21.9%
Waste management services	14.3%	23.1%	15.3%	21.9%
Other services	1.8%	3.1%	1.8%	3.0%
	100.0%	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Percentage calculated on total segment revenue, including intercompany operations.

(2) Percentage calculated on total segment EBITDA, including intercompany operations.

The chart below shows EBITDA growth in the Hera Group's core activities from 2019 to 2020.

	Year ended 31 December					
EBITDA by BUSINESS[1] (mln €)	**2020**		**2019**		**'20 VS '19**	
Networks	460.6	41.0%	480.2	44.3%	(19.6)	(4.1)%
Sales & Trading	317.9	28.3%	261.5	24.1%	56.3	21.5%
Power generation (EE)	49.9	4.4%	43.7	4.0%	6.2	14.2%
Waste	258.0	23.0%	264.2	24.3%	(6.2)	(2.3)%
Other services	36.7	3.3%	35.5	3.3%	1.2	3.4%
Total	**1,123.0**	100%	**1,085.1**	100%	**37.9**	3.5%

Note:

(1) Percentage and values of EBITDA, including intercompany operations.

The chart below shows EBITDA growth in the Hera Group's core activities from the half-year period as at 30 June 2020 to the half-year period as at 30 June 2021.

	Half-year period ended 30 June					
EBITDA by BUSINESS(1) (mln €)	**2021**		**2020**		**'21 VS '20**	
Networks	231.1	37.4%	226.9	40.5%	4.2	1.9%
Sales & Trading	206.5	33.4%	162.8	29.1%	43.7	27.0%
Power generation (EE)	18.7	3.0%	30.7	5.5%	(12.0)	(39.1)%
Waste	142.6	23.1%	122.4	21.9%	20.2	16.5%
Other services	19.0	3.1%	16.9	3.0%	2.1	12.4%
Total	**617.9**	100%	**559.7**	100%	58.2	**10.4%**

Note:

(1) Percentage and values of EBITDA, including intercompany operations.

OPERATIONAL OVERVIEW AND FINANCIAL DATA BY BUSINESS AREA

Waste management services

According to various analysts' reports on the Italian local utilities sector and Hera's internal research and data, the Hera Group is the leading domestic operator in the waste management sector, collecting approximately 2.2 million tons of urban waste for the year ended 31 December 2020, treating a total of approximately 6.6 million tons of waste during the same period and serving approximately 3.2 million people.

In 2009, Hera spun off all the Liberalised Activities of its waste management business (namely, all the activities in this area excluding the cleaning and collection of urban waste) into Herambiente, with the objective of concentrating the Hera Group's expertise and plants into a new company to better exploit its development opportunities. Starting from July 2010, a portion of the share capital of Herambiente has been sold to leading institutional investors. As at the date of this Base Prospectus, Hera holds 75% of the share capital of Herambiente whilst the remaining 25% is held by EWHL European Waste Holdings Limited, a company incorporated under English law.

Following the integration with AcegasApsAMGA, the Hera Group has expanded its reference market to the North-East of Italy. This has resulted in a growth of disposal and treatment of special waste activities allowing the Hera Group to strengthen its leadership in the waste management area.

In 2020, the waste management services area accounted for 23% of Group EBITDA, with an EBITDA decreasing over 2019 mainly as a consequence of the negative effects of the Covid-19 pandemic and, in particular, in light of personal restrictive measures and the closure of most commercial and industrial activities during lockdown. The Hera Group reacted promptly to the decrease in waste production and, with regard to the plastic waste recovery and recycling market, to the drop in demand for recycled plastic materials as well as the fall in the price of recycled productions, thanks to the size and variety of the customer portfolio and the finalisation of commercial partnerships, that allowed all waste treatment plants to operate at full capacity.

Furthermore, in 2020 the Hera Group confirmed protection of environmental resources and maximization of their reuse as a priority objective, resulting in an increase of 0.7% of sorted waste collection, from 64.6% in 2019 to 65.3% in 2020.

The table below sets forth information with respect to the Hera Group's EBITDA for the waste management business for the year ended 31 December 2020 compared to the corresponding period in the previous year.

	Year ended 31 December		
	2020	**2019**	**change %**
	in millions of Euro		
Revenues	1,190.3	1,190.5	0.0%
Operating costs	(740.2)	(733.5)	0.9%
Personnel costs	(203.6)	(201.2)	1.2%
Capitalised costs	11.4	8.4	35.6%
EBITDA	**258.0**	**264.2**	**(2.3)%**

The table below sets out the volumes of waste, by type of waste and type of plants, treated by the Hera Group in 2020, as compared to 2019.

	Year ended 31 December		
	2020	**2019**	**Change %**
	in thousands of tons		
Urban waste	2,219.1	2,347.8	(5.5)%
Commercial waste	2,187.6	2,211.1	(1.1)%
Waste market	**4,406.7**	**4,558.9**	**(3.3)%**
Plant by-products	2,203.2	2,616.2	(15.8)%
Waste treated by type – Total	**6,609.9**	**7,175.1**	(7.9)%
Landfills	677.4	663.5	2.1%
WTE	1,275.4	1,259.9	1.2%
Selection plants and other	530.7	572.8	(7.3)%
Compost and stabilisation plants	509.4	506.1	0.7%
Stabilisation and chemical-physical plants	1,208.4	1,600.2	(24.5)%
Other plants	2,408.7	2,572.7	(6.4)%
Waste treated by plant – Total	**6,609.9**	**7,175.1**	**(7.9)%**

The Hera Group manages and operates over 93 treatment plants for recovery and disposal of municipal waste and hazardous and non-hazardous special waste including, *inter alia*: (i) 9 waste-to-energy (**WTE**) plants, 12 composting plants/digesters, 14 selection plants and 16 chemical/physical and stabilization plants which are operated by Herambiente; (ii) 2 landfills and 1 bio-stabilisation plant which are operated by Marche Multiservizi; and (iii) 1 biomass plan operated by Enomondo S.r.l., a company 50% owned by Herambiente.

In 2020 waste treatment showed an overall decrease coming to 7.9% compared to December 2019. The increase in landfills waste is mainly due to the full activity of the Loria and Serravalle Pistoiese landfills. In WTE plants, the increase is mainly due to a different scheduling of plant shutdowns and planned maintenance compared to the same period in 2019, together with an increase in waste delivered. The decrease in selection plants is due to the lower volumes of waste processed, mainly in the Rimini and Bologna plants. In composting and stabilization plants, volumes remained essentially in line with the previous year. The decrease in stabilisation and chemical-physical plants sector is mainly due to a reduction in leachate arising from landfills (because of the reduction in rainfall) and to the reduced activity related to the health emergency, while the decrease in the other plants sector was mainly due to a reduction in by-products, mainly wastewater, treated in third-party plants.

In June 2021, the waste management area accounted for 23.1% of Group EBITDA, with an increase compared to the same period in 2019. Commercial expansion in the industrial waste and environmental remediation and restoration market grew significantly thanks to various partnerships and company acquisitions that enabled the Group to consolidate its leadership. In the recycle market, the first six months of 2021 saw significant demand for recycled materials and an increase in product sales prices. The Group continued all main activities related to circular economy started in the previous year, from the recovery of materials (such as the production of recycled polymers), to the production of renewable energy (such as biomethane) and green service offers to companies.

The table below sets forth information with respect to the Hera Group's EBITDA for the waste management business as at 30 June 2021 compared to 30 June 2020

	Half-year ended 30 June		
	2021	**2020**	**change %**
	in millions of Euro		
Revenues	642.9	580.0	10.8%
Operating costs	(401.6)	(356.6)	12.6%
Personnel costs	(108.7)	(103.9)	4.6%
Capitalised costs	10.0	2.9	244.8%
EBITDA	**142.6**	**122.4**	**16.5%**

In the first six months of 2021, revenues increased by 10.8% compared to the same period of 2020. The increase in revenues from energy production was mainly due to increased prices for "GRIN Tariff" (*i.e.*, the incentive mechanism for remuneration of renewable production) obtained by Hera, market prices and the production of thermal energy and biomethane, despite reduced volumes in WTE, as well as to the higher contribution from Aliplast S.p.A., mainly attributable to the increased amount of products sold. Furthermore, the overall increase in revenues was also influenced by new acquisitions carried out by the Group and the expansion in commercial and trading activities, as well as higher revenues from municipal waste, sales of recycled material and increased sorted municipal waste collection.

For further information on the Waste Management Services see "*Regulation*" below.

Energy services

The Hera Group provides the following energy services:

- gas and district heating services, which include the sale and distribution of natural gas and the associated provision of district heating and heat management services; and
- electricity and co-generation services, which include the distribution, sale and generation of electricity activities through combined cycle and co-generation power plants.

While the sale of energy in Italy is highly liberalised, distribution is carried out through concessions.

The Hera Group also generates electricity through combined cycle power plants and in connection with other energy generation processes, such as combined heat and power production, turbo-expansion, WTE and bio-gas production.

To respond to the greater competitive pressure in the sale of energy products, Hera has developed a commercial strategy called "Dual Fuel" (a combined offer to customers of both gas and electricity) and has intensified and further developed its customer care activities, thus expanding its customer base in its principal target markets.

In this connection, on 29 July 2015, Hera incorporated the company INRETE Distribuzione Energia with the purpose of distributing electricity and natural gas. Hera currently envisages to contribute in this company the distribution activities in the electricity and gas sectors.

As at the date of this Base Prospectus, all of the energy resources procurement activities are directly managed by Hera Trading, a company specialising in optimising the purchase of electricity through the *Borsa Elettrica Italiana* and different European trading platforms. Hera Trading manages gas contracts with wholesale suppliers and power generation electricity assets.

In addition to the general risk management policies applied across the Hera Group, Hera's risk management policy with respect to its commodities requires that market position risks be fully hedged.

Energy services – Gas and district heating

According to Hera's internal research and data, the Hera Group is the fourth leading operator in the Italian market, in terms of volume of natural gas sold and distributed, with approximately 2.6 billion cubic metres of gas distributed, sales of approximately 13,246.1 million cubic metres (34.5% up compared to 2019) to approximately 2.1 million customers in 2020 (with a 1.3% increase of the customer base compared to 2019) and a network of approximately 20,365 kilometres.

Overall, the gas and district heating business accounted for 33.3% of the Hera Group's EBITDA for the year ended 31 December 2020. The growth in the EBITDA contribution of this business area was mainly achieved thanks to commercial development linked to the Hera-Ascopiave Partnership, and in particular the acquisitions of the companies belonging to the EstEnergy group and AmgasBlu S.r.l., which allowed the Group to offset the negative effects of the Covid-19 pandemic. Furthermore, such growth was also influenced by the awarding by Hera Comm of certain tenders for the period from 1 October 2020 to 30 September 2021, and in particular:

- eight out of nine portions of the last resort gas service (for customers providing public services or those without a supplier): Valle d'Aosta, Piedmont, Liguria, Lombardy, Trentino Alto Adige, Veneto, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata, Puglia, Lazio and Campania; and
- five out of nine portions of the default gas distribution service (for customers in arrears): Valle d'Aosta, Piedmont, Liguria, Lombardy, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata and Puglia.

The table below sets forth information with respect to the Hera Group's EBITDA for the gas and district heating business for the year ended 31 December 2020 as compared to 31 December 2019.

	Year ended 31 December		
	2020	**2019**	**change**
	in millions of Euro		**%**
Revenues	3,361.3	2,971.9	13.1%
Operating costs	(2,883.4)	(2,529.2)	14.0%
Personnel costs	(116.5)	(114.1)	2.1%
Capitalised costs	13.0	13.0	0.0%
EBITDA	**374.4**	**341.6**	**9.6%**

In 2020, revenues amounted to €389.4 million, showing an increase of 13.1% over the previous year, mainly as a result of the acquisitions of the companies belonging to the EstEnergy group and AmgasBlu S.r.l., a higher amount of trading and higher revenues from the heat management business involving incentives for insulation. However, such actual growth was partially reduced (compared to the expectation) due to the lower

price of gas as a raw material and the lower volumes of gas sold and district heating due to the negative effects involving temperatures and the Covid-19 emergency.

The first half of 2021 showed growth over the same period of 2020, in terms of both EBITDA and volumes of gas sold. In such period, the gas and district heating business accounted for 39.5% of the Hera Group's EBITDA whilst in the first six months of 2020 it accounted for 35.9%.

This result was mainly achieved thanks to the positive contribution coming from traditional markets subject to tenders, where the Hera Group is increasingly consolidating its presence, and in particular the awarding by Hera Comm of certain portions of the last resort gas service and the default gas distribution service for the period 1 October 2020 – 30 September 2021 (as mentioned above) as well as the awarding by Hera Comm of nine out of twelve portions of the tender launched by Consip GAS13 for the purchase of natural gas in 2021.

The table below sets forth information with respect to the Hera Group's EBITDA for the gas and district heating business as at 30 June 2021, compared to 30 June 2020.

	Half-year ended 30 June		
	2021	**2020**	**Change %**
	in millions of Euro		
Revenues	2,185.6	1,634.6	33.7%
Operating costs	(1,885.0)	(1,378.9)	36.7%
Personnel costs	(64.2)	(59.5)	7,9%
Capitalised costs	7.7	4.6	67.4%
EBITDA	**244.1**	**200.8**	**21.6%**

Natural gas

The Hera Group distributes gas under various concessions granted by the municipalities, most of them are also Hera's shareholders, within their respective territories. The most significant of these concessions, in terms of revenues and users served, are the gas distribution licences with the municipalities of Bologna, Ravenna, Forlì, Cesena, Imola, Modena and Ferrara through Inrete Distribuzione Energia, Gorizia and Udine through AcegasApsAMGA. See "- *Business of the Hera Group - Key Concessions*".

The Hera Group collects natural gas directly from the national network currently mainly operated by Snam Rete Gas S.p.A. through the Hera Group's primary receiving and decompression stations, filters and decompresses the gas received and prepares it for distribution to end users.

The Hera Group operates its natural gas sales through: (i) Hera Comm, which sells gas in the same provinces as the distribution networks and also to liberalised customers in many Italian regions; and (ii) EstEnergy S.p.A. through Hera Comm.

To strengthen the Hera Group's position in a progressively liberalised gas market and to reduce natural gas procurement costs, Hera has concentrated all gas trading activities in Hera Trading.

The Hera Group continuously monitors and maintains its natural gas distribution network with the aim of ensuring network reliability, quality and continuity of service and detection of leakage risks also through the progressive digitization of networks.

The Hera Group relies on a remote control system, which allows it to react quickly and directly from its headquarters to perform a range of routine maintenance tasks and certain emergency interventions. The Hera Group also relies on a remote alarm system to detect leaks, also assisted by sophisticated predictive maintenance systems that exploit business analysis. In accordance with regulatory requirements, the Hera Group's call centres are staffed seven days a week, 24 hours a day for emergency calls and urgent

intervention. The Hera Group's natural gas distribution network and plants are managed and maintained in compliance with all current legislative and industry standards.

The Hera Group is involved in the complete replacement of all traditional mechanical meters with smart meters equipped with remote reading according to the indications of ARERA based on Resolution 631/2013/R/gas and following. The total number of meters is 1,640,000, of which 1,259,000 from Inrete Distribuzione Energia, 290,000 from AcegasApsAmga and 91,000 from Marche Multiservizi. The total number of smart meters currently being replaced is over 910,000.

Given its specific nature of the managed area, the R&D department of Hera Group has developed a new gas smart meter with additional features compared to the minimum functionalities identified by the Authority.

"NexMeter Project" concerns a smart meter capable of interrupting the gas flow and securing the user system in the event of:

- relevant seismic events;
- immediate and far-reaching leaks;
- small latent losses.

The HERA Group is currently installing 300,000 NexMeter in the areas with the highest seismic risk (Ferrara, Modena and Udine).

Turbo-expansion plants have been installed in some of the Hera Group's primary receiving and decompression stations to retrieve electricity that would otherwise be dissipated in the environment if traditional decompression methods were used. The electricity produced is used for internal consumption or sold to Hera Group. The revenues for such sales are included in the Hera Group's gas revenues.

The following table sets forth information on the number of customers served, volumes of gas distributed and volumes of gas sold by the Hera Group in 2020 as compared to 2019.

	Year ended 31 December		
	2020	**2019**	**change %**
Customers (thousands of customers)	2,076.2	2,049.5	1.3%
Distributed volumes (millions of cubic metres)	2,585.3	2,982.9	(13.3)%
Volumes sold (millions of cubic metres)	13,246.1	9,850.7	34.5%
- of which Trading (millions of cubic metres)	10,148.1	7,547.4	34.5%

For further information on the Gas Services see "*Regulation*" below.

District heating

District heating is a service involving the sale of heat for customer home heating and domestic hot water. It is an alternative system to traditional boilers, which makes it possible to concentrate the production of heat in few central installations that are more efficient and better controlled than home boilers. From these central installations, the heat is distributed through a network of isolated pipelines to customers' houses in the form of hot water. The heat then fuels the domestic heating system using non-polluting heat exchangers. District heating provides a solution to air pollution problems through the replacement of home boilers (frequently fuelled with gas-oil or methane) and allows heat generation from high-efficiency production methods, renewable energies or energy recovered for other production processes.

By continuing to replace fossil fuels with renewable energy or recovered energy, significant energy environmental improvements have been achieved in the Group's district heating plants. In 2019, Hera entered in a joint venture (50%) concession for the geothermal district heating of Ferrara.

Heat management

The Hera Group relies on its industrial plant management experience to offer heat-production plant management for third parties. The Hera Group's heat management services include the management and maintenance of third party plants and fuel supplies, the provision of technological and environmental upgrade services and inspection/monitoring of the efficiency of the combustion process and emissions.

Energy services – Electricity & co-generation

Hera's electricity sale and distribution activity are approximately 12,820.7 gigawatt hours ("**GWh"**) of electricity to approximately 1.3 million customers with a network of approximately 12,708 kilometres for the year ended 2020. According to internal annual report and annual report by ARERA, the Hera Group is the fifth leading operator in Italy in electricity distribution by volume dispensed.

The number of electricity customers in 2020 increased by 3.5% compared to 2019, especially thanks to the marketing initiatives carried out in the free market, which offset the fall in protected customers (clients of *maggior tutela* regime). The number of safeguarded customers in 2020 was in line with the previous year.

The Hera Group has a growing electricity generation capacity: it operates a small number of power plants and also produces electricity as a by-product of other production processes such as co-generation, WTE, biogas and turbo-expansion. A portion of the electricity generated by the Hera Group is sold directly to Gestore Servizi Energetici (the "**GSE"**) at subsidised tariffs. To fulfil the demand of the rest of its customers for electricity exceeding its production capacity, the Hera Group purchases electricity from national and international suppliers on an annual basis.

The Hera Group's electricity services revenues are generated from the distribution and sale of electricity.

In 2020, EBITDA for the electricity area arose compared to the previous year, thanks to the Hera-Ascopiave partnership and the acquisition of companies belonging to the EstEnergy Group and AmgasBlu S.r.l. and the earnings coming from electricity generation, despite the negative effects caused by the Covid-19 pandemic. In 2020, the Hera Group sold 12,820.7 GWh of electricity to its customers, essentially in line with the previous year. This trend is mainly due to a fall in safeguarded volumes, which is related to the Covid-19 emergency, and in traditional markets, which was entirely offset by the abovementioned acquisition.

The electricity business represented 16.8% of the Hera Group's EBITDA for the year ended 31 December 2020.

The table below sets forth information with respect to the Hera Group's EBITDA for the electricity business for the year ended 31 December 2020 as compared to 31 December 2019.

	Year ended 31 December		
	2020	**2019**	**Change %**
	in millions of Euro		
Revenues	2,315.9	2,590.4	(10.6)%
Operating costs	(2,090.3)	(2,376.1)	(12.0)%
Personnel costs	(48.7)	(45.0)	8.2%
Capitalised costs	11.3	9.1	24.2%
EBITDA	**188.2**	**178.5**	**5.5%**

At the end of the first half of 2021, EBITDA in the electricity area decreased over the same period in the previous year, despite the positive results achieved in trading and commercial development supported by innovative offers, value-added services and additionally improved customer experience for each type of customer. Furthermore, the lower results in the safeguarded market in the first half of 2021 were caused by the reduced number of portions managed in 2021 compared to the previous two-year period.

The table below sets forth information with respect to the Hera Group's EBITDA for the electricity business as at 30 June 2021, compared to 30 June 2020.

	Half-year ended 30 June		
	2021	**2020**	**Change %**
	in millions of Euro		
Revenues	1,141.2	1,097.3	4.0%
Operating costs	(1,032.6)	(979.4)	5.4%
Personnel costs	(23.9)	(24.9)	(4.0)%
Capitalised costs	5.3	4.1	29.6%
EBITDA	**90.0**	**97.0**	**(7.2)%**

Distribution

The Hera Group's distribution network consists of a primary high-voltage distribution network, which connects receiving stations to primary network stations, and a secondary medium- and low-voltage network, which connects primary network stations to secondary network stations and individual customers.

Network and plant maintenance

The Hera Group's electricity distribution system is maintained by employing local maintenance teams, which monitor plant operations and conduct regular checks to verify the current state of the network. The local maintenance teams are also responsible for ensuring the safety of overhead lines and insulated underground cables. All of the Hera Group's substations, high-voltage transmission lines and secondary substations are monitored through a remote control system. This system is designed to rapidly detect problems that may arise in the network and monitor operating pressure. The Hera Group has installed an electronic remote measuring system, which covers around 100% of the Hera Group's points of delivery, in compliance with regulations applicable to electricity distribution systems.

Electricity sales

The sale of electricity is fully liberalised and customers may choose to be part of the liberalised market by subscribing to a specific contract with a supply company or they may instead remain in the "regulated" market (the "**Universal Service**" regime) and pay the tariffs set by the Italian Regulatory Authority for Electricity, Gas, Water and Waste ("**ARERA**").

The table below sets forth the volumes of electricity sold by the Hera Group in 2020 as compared to 2019.

	Year ended 31 December		
Volume sold	**2020**	**2019**	**Change %**
	in GWh		
Distributed volumes (GWh)	2,752.3	3,051.7	(9.8)%
Volumes sold (GWh)	12.820,7	12,830.4	(0.1)%

Electricity generation

The electricity produced in 2020 by renewable sources is about 434.6 GWh, slightly increased as compared to 2019 as a result of an increase in the total electricity produced by the WTE plants and, to a smaller extent, by photovoltaic plants.

Electricity generation from cogeneration plants and turboexpanders decreased by 21 % compared to 2019 due to a lower energy demand during the health emergency period and to some technical problems affecting some cogeneration plants.

Overall, in 2020, (i) the 37.7%, of the total electricity production is produced by renewable sources, up to 8% as compared to the previous year, (ii) the 32.7% is generated by cogeneration and turboexpansion, high energy efficiency systems and (iii) the remaining production has a high level of environmental sustainability and it mainly consists of energy recovered from WTE transformation.

For further information on the Energy Services, see "*Regulation*" below.

Integrated water services

The integrated water services managed by the Hera Group are carried out in the Emilia- Romagna, Veneto, Friuli-Venezia Giulia and Marche regions on the basis of long-term concessions with the relevant local agencies.

Hera's mandate of managing integrated water services refers to activities of water collection and drinking water treatment and distribution for civil and industrial applications, as well as sewerage and sewage treatment. The concessions signed with the local area authorities require the Group to carry out the planning and construction of new networks and plants aimed at providing the service and set forth, *inter alia*, performance and quality standards to be complied with.

Starting from 2012, authority for rates was transferred from the Italian State to the national agency ARERA which approved a transitional rate method for the period 2012-2013, a two-year period of consolidation from 2014 to 2015 and a rate method in force thereafter. With respect to the current regulatory period 2020-2023 (ARERA resolution 580/2019), 2020 is the first year in which the tariff method defined by ARERA for the third regulatory period applies. Each operator is granted revenue (VRG) independently of the trends of the volumes distributed and it is established on the basis of operating costs (efficient and exogenous) and capital costs in relation to the investments made.

For the purpose of carrying out the service, the operator uses networks, facilities and other equipment owned by the company itself or the municipalities or asset companies. These assets, part of the inaccessible water stores, or granted or leased to the provider, must be returned to the municipalities, asset companies or local area authorities at the end of the concession to be made available to the incoming provider following payment of the residual value of the relevant assets.

Hera's relations with users are regulated by provisioning regulations as well as service charters drafted on the basis of templates approved by local area authorities in compliance with provisions set out by ARERA regarding the quality of the service and the resource.

In 2020, the integrated water business was essentially in line with the previous year, representing 23.7% of the Hera Group's EBITDA, with an increase of approximately 0.2% compared to 2019. According to internal annual report, the Hera Group is the second leading operator in Italy in the integrated water cycle with approximately 285.9 million cubic metres of water sold to approximately 1.5 million customers.

The table below sets forth information with respect to the Hera Group's EBITDA for the integrated water services business for the year ended 31 December 2020 as compared to 31 December 2019.

	Year ended 31 December		
	2020	**2019**	**Change %**
	in millions of Euro		
Revenues	883.6	911.9	(3.1)%
Operating costs	(439.8)	(471.8)	(6.8)%

Personnel costs	(183.7)	(179.9)	2.1%
Capitalised costs	5.8	5.2	11.6%
EBITDA	**265.8**	**265.3**	**0.2%**

In the first half of 2021, results for the integrated water cycle area remained essentially in line with the previous year, showing a slight drop in EBITDA.

The table below sets forth information with respect to the Hera Group's EBITDA for the integrated water services business as at 30 June 2021, compared to 30 June 2020.

	Hal-year ended 30 June		
	2021	**2020**	**Change %**
	in millions of Euro		
Revenues	446.7	415.6	7.5%
Operating costs	(233.3)	(202.4)	15.3%
Personnel costs	(93.5)	(92.4)	1.2%
Capitalised costs	2.4	1.9	27.0%
EBITDA	**122.3**	**122.7**	**(0.3)%**

Aqueduct and distribution system

The Hera Group's aqueduct system covers a network of approximately 35,080 kilometres of pipelines. This primary supply and distribution network is completed by the connections linking this network to the user delivery points.

The Hera Group's water distribution system is a complex network of several interconnected networks and plants, which are connected to various supply sources in order to ensure a continuous supply even if a particular water source or plant is affected by a temporary interruption or shutdown.

In 2020, volumes dispensed through the aqueduct slightly decreased for 3.5 million m3 (-1.2%) as compared to 2019, mainly due to seasonal variations.

Pursuant to ARERA's resolution 664/2015, volumes dispensed are an indicator of activity in the areas in which the Group operates and are subject to equalisation since revenues are recognized independently from volumes distributed. The ratio between the total number of breaks and the length of the network, being an indicator of the network's efficiency of the Hera Group (i.e. the number of breaks per km in the network), decreased from 10.7 breaks/km in 2019 to 10.3 in 2020, thanks to both the careful management of repairs and investments in aqueduct system.

Quality of drinking water

In 2020, to ensure control of the quality of water supplied, the Group's laboratories in Emilia-Romagna, Triveneto and Marche performed 636,562 analyses on drinking water (with an average of over 1,700 analyses per day), including all the analyses performed for the aqueduct process as a whole, of which 76% were carried out on samples collected in the distribution networks.

Quality controls on the water used to produce water for drinking and human consumption are governed by, respectively, Italian Legislative Decree 152/2006 and Italian Legislative Decree 31/2001, as amended. Such controls are carried out by the water service operator and the Local Health Authorities (Aziende Sanitarie Locali) at the source sampling points, at the water treatment and accumulation plants and along the intake and distribution networks. Hera has developed a group control plan (the "**Control Plan**") which describes the sampling points, the parameters and the frequencies of the analyses. The Control Plan is developed on the basis of guidelines that focus on the water's chemical, physical and bacteriological characteristics, so as to fully comply with legal requirements and ensure a top-quality product.

Specific controls are also implemented on the treatment processes of water including, inter alia, analysis for chlorites and trihalomethanes, which come from, respectively, the use of chlorine dioxide and sodium hypochlorite as disinfectants. The concentration of chlorites and trihalomethanes in the distribution network is kept under constant control in line with the regulatory limits.

Waste water services

The Hera Group manages a significant portion of the sewage and waste water treatment systems in the provinces in which it operates, with different kinds of plants for sludge treatment.

Waste water collection

Waste water can be classified as follows:

- domestic or non-industrial waste water produced by households and small offices and containing both organic substances and substances derived from products used for domestic cleaning and personal hygiene;
- industrial waste water, released during production processes and typically containing a high concentration of pollutants; and
- meteoric waste water produced by climatic conditions (*i.e.*, rain water, floods etc.).

Maintenance of sewer network

Sewage systems require regular ordinary maintenance operations, such as monitoring the efficiency of the elevation plants, removing sediments and obstacles that may obstruct water flows and maintaining public manholes. Extraordinary maintenance operations include renovation, restructuring or repairs to improve operating conditions, hydraulic efficiency and the infrastructural safety of the network. The Hera Group employs specialised internal maintenance teams for programmed and emergency operations and outsources some of the major infrastructural maintenance works. All such operations are controlled by a single remote control centre, which was designed and developed by Hera and is located in Forlì.

Wastewater treatment service

In 2020, the Hera Group operated the wastewater treatment service in 227 municipalities, of which 47 as Marche Multiservizi and 16 as AcegasApsAmga, while the coverage of the sewage service for all urban areas was equal to 87.6% of the needs of the territory (population equivalents).

In 2020, the wastewater treatment service covered 86.4% of the population equivalents in the areas served by the Group.

The Hera Group treated over 360 million m3 of wastewater in 2020, slightly decreasing as compared to 2019 data (383 million m3). The sewage networks that feed those plants are generally combined sewers, and the volumes treated therefore depend on rainfall. The sewage network operated by Hera is approximately 14,846 km long, the 52% of the total is constituted by combined sewers. At Group level, the sewage network operated is 18,793 km long, the 57% of which is a mixed-type network.

Control and maintenance

Pursuant to its agreements with the municipalities and companies which have leased assets to Hera, the Hera Group is responsible for the ordinary and extraordinary maintenance of the waste water treatment plants (*i.e.*, the purification plants). The Hera Group continually monitors its most important plants and has personnel present in these plants 24 hours a day, assisted by other more specialised maintenance and operational staff during normal business hours. The Hera Group monitors the operation of its other plants through regular visits, third party services for maintenance and inspections and a remote control system, which is used to monitor the operational efficiency and status of all its plants. The Hera Group conducts quality, environment and product quality control on fresh water, treated water and residual waste water. The Hera Group controls

the quality of wastewater throughout the entire sewage and treatment process up to the final discharge of purified water.

Water consumption within the Group and water reuse

The attention that the Hera Group has always paid to issues of sustainability and circularity, has led to the decision to concretely plan actions aimed at saving, reusing and recovering water. The roadmap, outlined in 2018, is expected to be operationally implemented during the four years from 2019 to 2022. The concrete and challenging objective is to reduce the consumption of drinking water by 10% in four years (compared to 2017 consumptions in water, district heating and waste management areas) in the most "water-demanding" business units. Analysis of the conditions and the perimeter of consumption have shown that the presence of plants – for treatment of, *inter alia*, waste and wastewater or district heating and cogeneration – is the greatest factor for water consumption. In 2020 the Hera Group reduced water consumption by about 12% compared to the 2017 baseline (about 1,352 thousand m³ in 2020, compared to 1,534 thousand m³ in 2017), attributable primarily to the ongoing efforts to find areas of improvement in the use of water, optimise the systems, and implement measures to reuse and recover the resource. The outcome was influenced by the earlier than expected completion of some water saving actions initially planned for 2024.

Furthermore, Hera has scheduled projects, both structural (*i.e.*, fields of operation involving investments in plant modernisation) and non-structural (*i.e*., aimed at creating awareness of the use of water resources), and in particular:

- measures to improve the main plants (waste-to-energy plants, purification plants, etc.) to allow the recovery and reuse of process water which would otherwise be discharged into public sewage or into the surface water body after purification treatment;
- technological modernisation to optimise the systems, thus reducing water consumption for the replenishment of circuits; and
- enhancement of the search for hidden leaks downstream of meters.

For further information on the Integrated Water Services see "Regulation" below.

Other services

The Hera Group provides other services in addition to those set forth above, most notably public lighting managed by Hera Luce S.r.l. ("**Hera Luce**") and AcegasApsAmga Servizi Energetici S.p.A., telecommunications managed by Acantho S.p.A. ("**Acantho**") and cemetery services.

The table below sets forth information with respect to the Hera Group's EBITDA for the other services it performs for the year ended 31 December 2020 as compared to the corresponding period in the previous year.

	Year ended 31 December		
	2020	**2019**	**Change %**
	in millions of Euro		
Revenues	147.1	148.1	(0.7)%
Operating costs	(92.0)	(94.3)	(2.4)%
Personnel costs	(20.3)	(20.2)	0.5%
Capitalised costs	1.8	2.0	(10.0)%
EBITDA	**36.7**	**35.5**	**3.4%**

In the first six months of 2021, results for this area increased by 11.9% over the previous year, with EBITDA going from €16.9 million in the first six months of 2020 to €18.9 million in the same period of 2021.

	Hal-year ended 30 June		
	2021	**2020**	**Change %**
	in millions of Euro		
Revenues	81.7	67.5	21.0%
Operating costs	(52.1)	(41.2)	26.4%
Personnel costs	(11.5)	(10.2)	12,7%
Capitalised costs	0.8	0.8	0.0%
EBITDA	**18.9**	**16.9**	**11.9%**

Energy efficiency in public lighting

In 2020, Hera Luce, AcegasApsAmga and Marche Multiservizi, collectively, manage approximately 571.3 thousand light points increased by 4.1% compared to 2019, guaranteeing the proper operation of the public lighting service in 188 municipalities in eleven Regions: Emilia-Romagna, Umbria, Lombardia, Marche, Lazio, Toscana, Piedmont, Veneto, Friuli Venezia Giulia, Abruzzo and Sardinia. They also manage traffic light installations in some areas for a total of over 10,500 traffic lights.

LED lamps are used in 35.1% of light points operated, increasing of approximately 7.6% compared to 2019. Such increase highlights the Group's constant focus on an increasingly efficient and sustainable management of public lighting. Consumption optimization systems (e.g. reduction of brightness, partial switching off, etc.) are used in 53% of the light points operated by Hera Luce. Energy saving light bulbs (i.e. not mercury-vapour lamps) are used in 34% of the light points served.

Acantho's role in the digitalisation of the territory and the Hera Group

Acantho is the digital company of the Hera Group that serves the main cities of Emilia-Romagna and Triveneto with a proprietary fibre optic network approximately 4,400 km long. The company has been developing an ultra-broadband fibre-optic network for more than 20 years, on which it offers next-generation telecommunications services. The data centres operating as IaaS (Infrastructure as a Service) and Paas(Platform as a Service) in Imola and Milan offer cloud services to Group, subsidiaries and final customers, providing high levels of service quality and data security.

Acantho offers also services for local smart cities, such as public Wi-Fi services, smart security systems and digital signage (*i.e.*, multifunctional totems located near points of sale or public spaces, which show users information or promotional content). With particular reference to business customers, the connectivity services offered are based on fibre optic technologies, radio links and copper. The objective for the future is specifically to increase the number of customers connected to optical fibre, compared to copper technologies, also thanks to the integration with other operators (regional and national).

Acantho is also involved in many projects for the Hera's digitalisation, including: cassONetto Smarty; Smart drop-off point; Smart Metering and Smart Grid; Queue Management (HeraComm branch offices); Hera Meal Vouchers Management; Hera physical security and building automation.

HERA GROUP INVESTMENTS

CAPITAL EXPENDITURE

Overview

For the year ended 31 December 2020, the Hera Group's gross investments (including €24.8 million in capital grants) totalled €506.4 million, compared to €533.5 million for the previous year.

Hera's total operating investments amounted to €481.7 million, compared to €509.0 million in the preceding financial year. Hera's equity investments in minor financial holdings accounted for €46.9 million.

In 2020, the Hera Group's investments, net of the abovementioned capital grants of €24.8 million, of which €13.6 million for the new investment fund ("**FoNI"**) (a component provided by the tariff method for the integrated water service), amounted to €528.5 million.

The table below sets forth the capital expenditure both gross and net of disposals and capital grants divided by business segment for the year ended 31 December 2020 as compared to 2019. Such data is unaudited and is derived from Issuer's internal data.

	Year ended 31 December		
	2020	**2019**	**change %**
	in millions of Euro		
Gas and district heating services	135.3	138.3	(2.2)%
Electricity services	47.7	43.4	9.9%
Integrated water services	166.2	175.8	(5.5)%
Waste management services	68.3	81.8	(16.5)%
Other services	11.1	16.0	(30.6)%
Central structures	77.9	78.2	(0.4)%
Total gross operating investments	**506.4**	**533.5**	**(5.1)%**
Capital grants	24.8	24.5	1.2%
of which FoNI (New investment fund)	13.6	13.4	1.5%
Total net operating investments	**481.7**	**509.0**	**(5.4)%**
Total financial investments	46.9	0.2	100.0%
Total net investments	**528.5**	**509.2**	**3.8%**

With respect to the financial year 2020, the 48% of the total net investments has been allocated for maintenance works and the remaining 52% for development works; whilst in 2019, the 51% of the total net investments has been allocated for maintenance works and the remaining 49% for development works.

In the first half of 2021, Group investments amounted to €246.9 million, with a €43.6 million increase compared to the previous year, and were mainly related to work on plants, networks and infrastructures.

Capital grants totalled €9.5 million, of which €6.9 million for FoNI investments, as foreseen by the tariff method for the integrated water service, up €0.3 million overall compared to the previous year. Net operating investments came to €237.4 million, up to €42.3 million compared to the previous year.

The table below sets forth the capital expenditure both gross and net of disposals and capital grants divided by business segment for the half-year ended 30 June 2021 as compared to 30 June 2020. Such data is unaudited and is derived from Issuer's internal data.

	Half-year ended 30 June		
	2021	**2020**	**change %**

	in millions of Euro		
Gas and district heating services	61.3	53.9	13.7%
Electricity services	24.7	21.5	14.9%
Integrated water services	89.3	75.4	18.4%
Waste management services	35.1	21.7	61.8%
Other services	5.2	3.9	33.3%
Central structures	31.2	26.8	16.4%
Total gross operating investments	**246.9**	**203.3**	**21.4%**
Capital grants	9.5	8.1	17.3%
of which FoNI (New investment fund)	6.9	6.6	4.5%
Total net operating investments	**237.4**	**195.1**	**21.7%**
Total financial investments	10.0	45.5	(78)%
Total net investments	**247.3**	**240.6**	**2.8%**

Capital expenditure by business segment

Waste management services

Net investments in the waste management services, principally relating to maintenance and enhancement activities on existing plants across the Hera Group's reference area, amounted to €67.6 million in 2020 (with a decrease of €13.9 million compared to 2019).

The composter/digester sector showed a decrease by €3.6 million, due to the significant interventions carried out in 2019 on the Sant'Agata Bolognese composter in constructing the biomethane plant that became fully operational in 2019, and the upgrading interventions on the Tre Monti mechanical biological treatment plant. Investments in landfills increase by €6.3 million, mainly due to the interventions carried out in 2019 on Cordenons, the tenth sector of the Ravenna landfill and the plants belonging to Marche Multiservizi S.p.A. only partially offset by the works started in 2020 on the "Il Pago" plant. Investments in the WTE plants sector were in line with the previous year and concerned non-recurring maintenance on the main plants in this area. Increased investments in the industrial waste plants sector, for a total of €2.1 million, mainly concerned the revamping on the F3 plant in Ravenna and the works carried out on the Tapo plant (plant for organic production water treatment) in Ravenna. The ecological areas and collection equipment sector showed lower investments down by €2.6 million compared to the previous year, mainly in the areas served by AcegasApsAmga, while the €3.0 million drop in the selection and recovery plants sector was mainly due to the higher investments made in the previous year by the Aliplast group and the completion in 2019 of the mobile soil washing plant in Chioggia.

Energy services

Energy services – Gas and district heating

In 2020, the net investments in the gas area amounted to €134.1 million, down by €4.2 million compared to the previous year.

In gas distribution, an overall reduction coming to €3.2 million was seen, mainly due to lower investments in the AcegasApsAmga gas distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone ATEMs, transferred as of 31 December 2019 in the context of the Hera-Ascopiave Partnership, as well as to lower interventions in the areas served by Marche Multiservizi. Investments by Inrete Distribuzione Energia increased, mainly due to higher interventions for the large-scale meter substitution. In gas sales, investments came to €9.0 million, linked to acquiring new customers compared to the previous year. On the contrary, investments fell by €0.6 million in district heating and heat management services. Requests for new

connections were lower than in the previous year in gas distribution, mainly due to the transfer of the AcegasApsAmga branch, and in district heating.

Energy services – Electricity & co-generation

The Hera Group's investments in the electricity service in 2020 totalled €47.7 million, up by €4.3 million compared to the previous year.

Interventions mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas. In 2020, investments increased by €3.5 million in electricity distribution and by €0.9 million in energy sales, in each case compared to the previous year, as a consequence of the activities carried out to acquire new customers. Requests for new connections also increased compared to the previous year.

Integrated water services

In 2020, net investments in the integrated water service amounted to €143.3 million, down by €8.2 million over the previous year. Including the capital grants received, which fell by €1.3 million, the investments made amounted to €166.2 million, down by €9.6 million over the previous year.

These investments mainly involved extensions, reclamations and network and plant upgrading, in addition to regulatory adjustments, especially in the purification and sewerage sectors. In particular, €98.8 million investments were made in the aqueduct area, €39.1 million investments in sewerage and €28.2 million investments in purification.

Other services

Investments in this area totalled €11.1 million in 2020, down compared to 2019.

In the telecommunications, the investments made in networks and in network and in TLC and IDC (Internet Data Center) services were equal to €8.1 million, down €2.0 million compared to the previous year, while investments made in the public lighting service for maintenance, upgrading and modernisation of the lighting systems of the areas served were equal to €3.0 million, down by €2.9 million due to the different accounting of public lighting contracts under the application of accounting standard IFRIC 12.

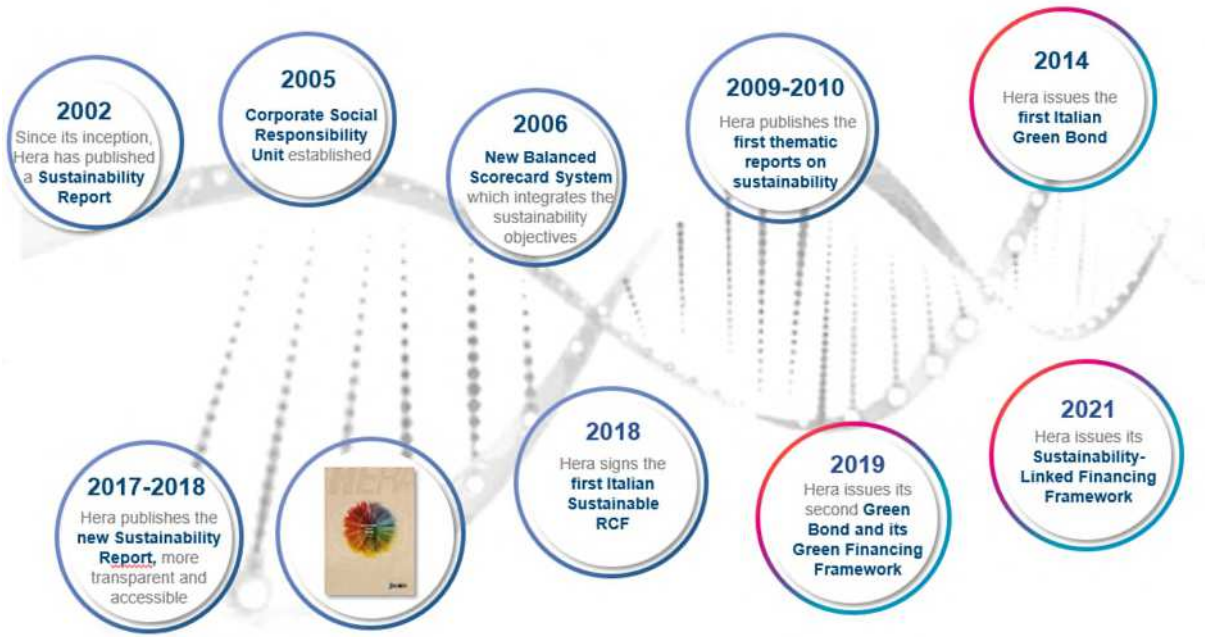
RESEARCH AND DEVELOPMENT

Hera currently conducts a number of research and development projects relating to the sectors in which it operates, with the aim of improving its processes and operations. In 2020, Hera's research and development team worked on, *inter alia*, projects relating to technological development of renewable sources, development of environmental monitoring and control technologies, researching emerging pollutants and environmental catalytic converters, as well as projects relating to energy efficiency, improvement of networks management and environmental services. Hera plans to continue its current research and development projects.

SUSTAINABILITY

PAST, PRESENT AND FUTURE WITH A SUSTAINABLE DNA

Sustainability has always played a key role in Hera's strategy since its establishment. The approach adopted by the Group is based on integrating sustainability in its planning and control systems and, therefore, in the management of its business activities. This aspect has been effectively implemented through a balanced scorecard system involving all the company management and with constant commitment to stakeholder reporting.



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

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

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

SUSTAINABILITY STRATEGY

The Group's mission shows a strong inclination towards sustainability, which is an indispensable part of the Group's strategies. In light of the 2020 - 2024 Business Plan, in 2024 50% of EBITDA is expected to be based on "shared value", involving projects that respond to the goals on the United Nations' global agenda (the UN Global Agenda 2030), with envisaged investments for shared value projects corresponding to roughly 60% of overall envisaged investments in the 2020-2024 period (approximately €3.2 billion) and approximately €1.84 billion investments contributing to sustainability development goals.

The relationship between CSR and CSV according to Hera

In particular, in light of the 2020 – 2024 Business Plan, 88% of EBITDA growth in the relevant period is expected to be aligned with EU strategy, as shown in the chart below.

Creating shared value (CSV) is the new perspective that integrates Hera's strategic approach to corporate social responsibility (CSR) and sustainability. It stems from a path started in 2016 and is Hera's way of generating economic value for the company and, at the same time, producing a positive impact on society and the environment, taking into account global priorities.

Since 2016, the Hera Group's approach has embraced activities and projects that:

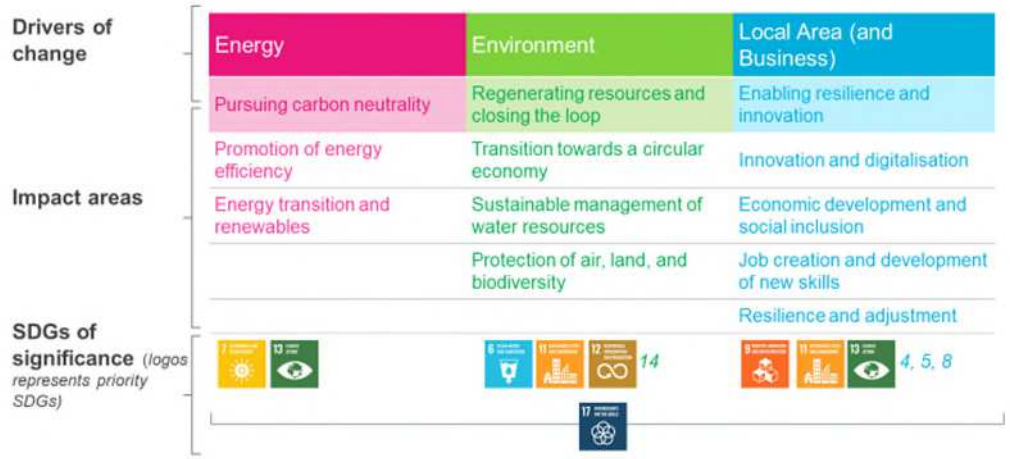
- improve its environmental and social sustainability performances mainly related to the businesses it manages (including, *inter alia*, in relation to applicable laws and regulations) (CSR);
- generate operating margins that are consistent with the "UN Global Agenda" priorities (CSV).

In 2020, the CSV framework was reviewed and updated also in light of the new challenges of the global scenario and on the basis of the analysis of global megatrends and the internal listening process, through individual interviews and focus groups. Furthermore, sustainable development goals and policy analysis, including the European Taxonomy for Sustainable Finance that is currently being developed, were also considered.

At the end of this process, a proposal was outlined for updating the drivers (or priorities) of change and the respective impact areas of interest to Hera, which was approved and validated by top management. The new CSV framework is made up of three drivers:

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

The three drivers and the related nine impact areas are linked to the eleven goals of the UN Global Agenda 2030 to which the Group contributes, seven of which are identified as priorities. The priority SDGs for the Hera Group are those goals more directly related to its business activities and on which the Group has a direct impact, and in particular: (i) Goal 6, clean water and sanitation services; (ii) Goal 7, clean and accessible energy; (iii) Goal 9, companies, innovation and infrastructure; (iv) Goal 11, sustainable cities and communities; (v) Goal 12, accountable consumption and production; (vi) Goal 13, combating climate change and (vii) Goal 17, partnerships for the goals. The other important SDGs, but not identified as priorities, are: Goal 4, quality education; Goal 5, gender equality; Goal 8, decent work and economic growth and Goal 14, life under water.



The CSV approach is also reflected in the Hera's by-laws, according to which the Issuer acts on a business model aimed at creating long-term value for its shareholders, by creating value shared with its stakeholders. To this purpose, the Issuer organizes and carries out business activities whose goals include promoting social equity and contributing to achieving carbon neutrality, regenerating resources and increasing the resilience of the service system managed, benefiting customers, local ecosystems and future generations.

The inclusion of CSV approach in the Issuer's by-laws – in line with Borsa Italiana's new Corporate Governance Code and best practices at European level – emphasises Hera's commitment to sustainability,

which has characterized the Group it since its establishment, and in particular to energy transition and circular economy, through innovation and digitisation, as well as the promotion of social equity.

HERA'S COMMITMENT TO SUSTAINABILITY IN NATIONAL AND INTERNATIONAL NETWORKS

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

Hera is also among the promoters of the Circular Economy Network (CEN), a project promoted by the Sustainable Development Foundation and by a group of companies and associations involved in the transition to a new model of circular economy. Furthermore, the Hera Group has been part of the Global Compact since 2004, and in July 2017 it was included in the Global Compact Network Italia Foundation, the Italian network set up in 2013 which has been currently joined by over 50 businesses and non-businesses. Within the Global Compact, Hera also joined the CEO Water Mandate, the United Nations Global Compact initiative promoted to re-launch commitment by companies in the sustainable management of water resources.

LONG-TERM OBJECTIVES BY 2030

One of the most significant challenges of the Hera Group involves pursuing carbon neutrality: Hera aims at being the Italian multi-utility with the most ambitious goal, in line with the criteria of the "Science Based Targets initiative" (as regards, in particular, "Well below 2°C", intended to limit the increase in the earth's average temperature to significantly under 2°C). This means lowering the amount of carbon dioxide emitted into the atmosphere by over 15% within 2024 and by roughly 37% within 2030, in both cases compared to 2019, calculating the emissions produced by both the Group and its customers, as regards electricity and gas sales.

With an eye to 2030, the Group will also continue to make efforts towards a circular economy. The main objectives are:

- 150% increase in the amount of plastic recycled by Aliplast by 2030 and 68% increase by 2025 (compared to 2017), and an over 75% rise in the amount of packaging recycled;
- 10% decrease of water losses and 15% increase of reuse of cleaned wastewater;
- 25% decrease of water footprint of the Hera Group compared to 2017 and 10% decrease of energy footprint compared to 2017;
- more than 30% increase of green energy sold;
- more than 30 mcm/y increase of biomethane production from organic waste; and
- reach a TOP10 position in Refinitiv Diversity & Inclusion index.

Furthermore, the Group is giving greater attention to the contribution that may come from hydrogen, with reference on one hand to the evolution and preparation of its own assets, beginning with gas distribution networks, and on the other to the new business opportunities that may be pursued thanks to its multi-utility

platform; these prospects for development will also be pursued in partnerships with a number of important industrial actors.

SUSTAINABILITY REPORT

On 25 March 2020, Hera Board of Directors approved the sustainability report (the "**Sustainability Report**"), an important tool for communication between Hera and its stakeholders and local communities. The Sustainability Report outlines the values and principles that guide the Hera Group, the activities and results of stakeholders involvement, the performance levels achieved and its objectives for improvement regarding the three dimensions of sustainability: economic, social and environmental and it is verified by a third party.

The Sustainability Report was drafted during the Covid-19 emergency in Italy and already included a description of the actions put in place by Hera for the management of the emergency to protect workers and customers and guarantee continuity of its services.

SUSTAINABILITY – LINKED FINANCING FRAMEWORK

As described in the Sustainability-Linked Financing Framework (as defined in the section headed "*Information relating to "Green Bonds" and sustainability-linked bonds*" above), Hera's ambition is to fight climate change by taking action and investing in its energy transition, in line with the 2020 - 2024 Business Plan. By Incorporating sustainability-linked instruments within its funding policy, Hera aims at broadening its commitment to drive the effort to fight global warming as one of the leading multiutility companies in Italy.

RATING AND CERTIFICATIONS

As at the date of this Base Prospectus, the Hera Group has been rated "A" by MSCI, "A-" by CDP Driving Sustainable Economies (improved as compared to 2019 when it was B), "20.9 medium risk" by Sustainalytics, "81" in ESG Evaluation by S&P's Global Ratings, "Prime" by ISS oekom and has been included in FTSE4Good index, in the Bloomberg Gender Equality Index, in the Dow Jones Sustainability Index (DJSI), and in Refinitiv Diversity and Inclusion Index (formerly, Tomson Reuters) among the best 100 companies worldwide and second multi-utility company as well as 1st absolute in the ranking of the Integrated Governance Index and 1st absolute place in the ranking for green finance. Furthermore, Hera is, for the twelfth year in a row, included among the best Italian companies on quality standards of working conditions by Top Employer.

The Hera Group has been also assigned by the following certifications:

- **ISO 9001 - quality**, 26 certified companies – 98% employees;
- **ISO 14001 - environment**, 17 certified companies – 86% of employees;
- **OHSAS 18001 / ISO 45001 – health and safety**, 17 certified companies – 86% of employees;
- **ISO 50001 – energy**, 9 certified companies – 72% of employees;
- **SA8000 – social responsibility**, 4 certified companies – 23% of employees.
- **ISO 37001 – corruption prevention**.

DIVERSITY MANAGEMENT

Gender, cultural and origin differences are now universally recognised as values and must therefore be managed in the best possible way, bearing in mind that the management of diversity must always go hand in hand with the pursuit of equality. Managing diversity means valuing the unique contribution of each employee, which triggers a virtuous circle with positive impact on both individuals and business results.

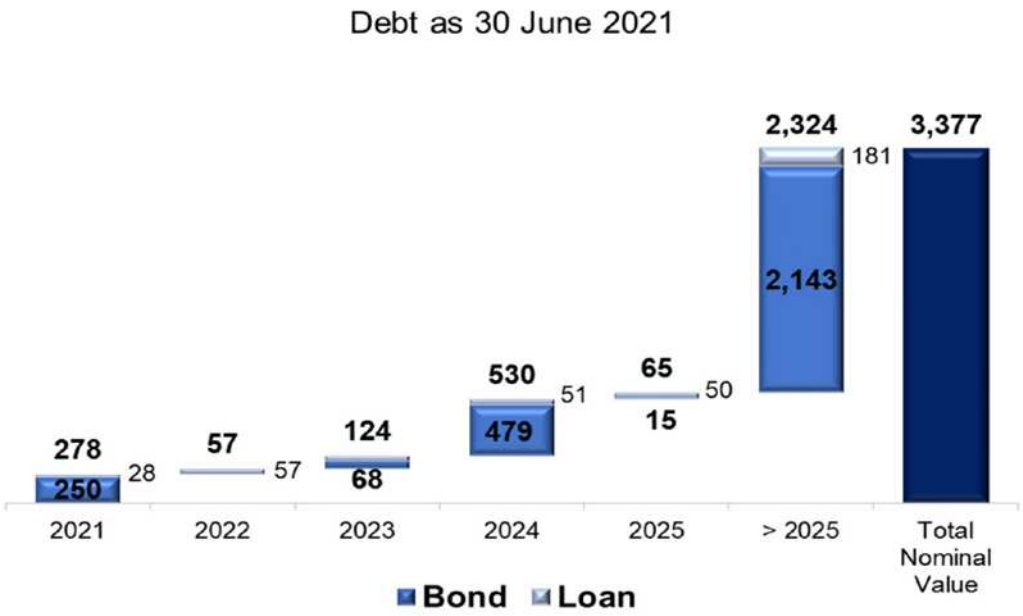
In 2011, in order to facilitate the development and dissemination of the Issuer's policy on equal opportunities and workplace equality was created the Diversity Management that has different target:

- disseminating the culture of inclusion among the public, private and civil society, sharing best practices with institutions and companies in the area;
- supporting the management and appreciation of plurality in the company strengthening the role of the Hera Group in the development of a culture that values difference.

INDEBTEDNESS STRUCTURE

The Hera Group's net financial indebtedness as at 30 June 2021 is €2,956.7 million. Such indebtedness included €3,377.1 million of nominal value divided into 87.5% by bonds and 12.5% by loans (68.0% of such nominal value has over 5 years maturity, 23% has a maturity between 1 to 5 years and 9.0% has less than 1 year maturity). Such indebtedness, related to bonds and loans, is mainly composed by fixed interest rate debt (93%). Furthermore, the Group has also committed credit lines amount to €450 million. The refinancing needs by the end of 2021 represent less than 10% of the total indebtedness of the Group. The Group's debt structure is not subject to financial covenants on debt, with the exception of a limit on corporate rating defined for an amount of debt (Private Placement AFLAC) coming to €149.8 million (which consists in one of the rating agencies assigning an opinion lower than BBB-).

The chart below shows the maturity profile with the nominal values of the Hera Group's financial indebtedness as at 30 June 2021:



EMPLOYEES

As at 30 June 2021, the Hera Group had 9,036 employees, whilst as at 31 December 2020, the Group's employees were 9,011.

Substantially all of the Hera Group's employees are members of unions and are employed pursuant to national collective labour agreements, which are periodically renegotiated by representatives of the various professional categories represented within Hera. Pursuant to Italian law, employees in Italy are ensured stability of employment and their employment can be terminated only for cause and for certain statutory

reasons. Upon termination of their employment, employees are entitled to a severance payment based on their annual salary, length of employment and inflation.

REGULATORY FRAMEWORK

Some of the Hera Group's operations are within heavily regulated sectors. The legislative and regulatory environment within which the Hera Group operates is summarised in the section headed "*Regulation*", below.

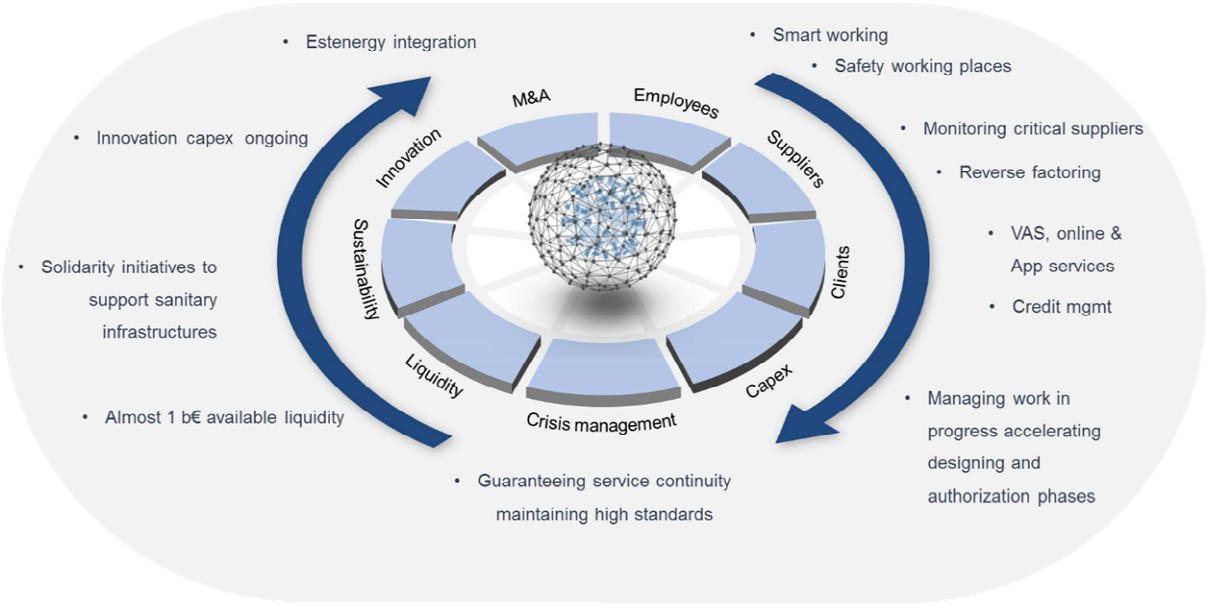
LEGAL PROCEEDINGS

Due to its extensive customer base and varied business, the companies belonging to the Hera Group are party to a number of civil, administrative and tax proceedings arising from the conduct of its corporate activities (including, without limitation, employee disputes) and may from time to time be subject to inspections by taxation and other authorities. Hera has conducted a review of ongoing litigation and provisions in the consolidated financial statements were made where the disputes were likely to result in a negative outcome and a reasonable estimate of the amount involved could be made. In particular, as at 31 December 2020, Hera had a provision for labour disputes in its consolidated financial statements which amounted to €14.5 million (for further information, see the explanatory notes to the 2020 consolidated financial statements incorporated by reference herein (see the "*Documents incorporated by reference*"). In certain cases, where Hera believes that litigation may not result in an adverse outcome or that such dispute may be resolved in a satisfactory manner and without significant impact on the Hera Group, no specific provisions are made in Hera's consolidated financial statements.

COVID-19 EMERGENCY

Upon the outbreak of the Covid-19 pandemic the Group made continuing efforts in proactively managing the crisis situation, constantly updating its operating plans base on the way in which the situation evolves, ensuring that measures intended to support services and safety are respected and guaranteeing a constant flow of information to company personnel and stakeholders, in addition to implementing all containment activities aimed at reducing the economic and financial impact of the crisis. The Group was also able to seize a number of opportunities from the crisis, especially in terms of digital transformation in services and processes.

The chart below shows the main activities and measures implemented and/or enhanced by Hera to contract the Covid-19 emergency.



CORPORATE GOVERNANCE

Corporate governance rules for Italian companies whose shares are listed on the Italian stock exchange, such as Hera, are provided by the Italian Civil Code, the Financial Services Act, CONSOB Regulation No. 11971 of 14 May 1999, as amended, ("**Regulation No. 11971**") and in the voluntary code of corporate governance issued by Borsa Italiana S.p.A. (the "**Corporate Governance Code**").

Hera has opted for a traditional system of corporate governance, which involves the presence of the shareholders' meeting, the board of directors and the board of statutory auditors.

BOARD OF DIRECTORS, INTERNAL COMMITTEE, RISK COMMITTEE AND SENIOR MANAGEMENT

The Board of Directors

The Board of Directors and its members

As at the date of this Base Prospectus, the By-laws entrusts the management of the Issuer to a collegial body composed of fifteen members, including the independent ones – in accordance with applicable laws and regulations – appointed by the shareholders' meeting by a voting list system (collectively the "**Board of Directors**", each a "**Director**"). All the members are appointed for three financial years and they may be reappointed.

The Board of Directors has the widest powers possible in order to perform the ordinary and extraordinary management of the Issuer. It is authorised to carry out all the acts it deems necessary or appropriate to achieve Hera's corporate purpose, with the sole exception of those powers expressly reserved to the shareholders' meeting under applicable law or Hera's By-laws.

According to Articles 147-*ter* and 148 of the Financial Services Act, the relevant provisions of Regulation No. 11971 and Hera's By-laws, the Board of Directors (as well as the Board of Statutory Auditors referred to below) shall be composed in respect of the principle of balance between the sexes at least to the extent required by current legislation and regulations, which provide that at least two fifth of the respective members of the board of directors (and the board of statutory auditors) shall be composed of the under-represented gender.

The shareholders' meeting held on 29 April 2020 appointed the Board of Directors for a period of three financial years. Unless early termination of their office occurs, all the members will remain in office until

the date of the shareholders' meeting called to approve Hera's financial statements for the year ending on 31 December 2022.

The following table sets out the current members of the Hera's Board of Directors and their respective positions within the Hera Group.

Name	**Position**
Tomaso Tommasi di Vignano	Executive Chairman
Gabriele Giacobazzi*	Vice Chairman
Stefano Venier	Chief Executive Officer
Fabio Bacchilega*	Director
Danilo Manfredi*	Director
Alessandro Melcarne*	Director
Lorenzo Minganti*	Director
Monica Mondardini*	Director
Erwin Paul Walter Rauhe*	Director
Manuela Cecilia Rescazzi*	Director
Paola Gina Maria Schwizer*	Director
Federica Seganti*	Director
Bruno Tani*	Director
Alice Vatta*	Director
Marina Vignola*	Director

Notes:
* denotes Independent Director.

The business address of the members of the Board of Directors is the Company's registered office at Viale Carlo Berti Pichat n. 2 / 4, 40127 Bologna, Italy.

Other offices held by members of the Board of Directors

The table below sets forth the other offices or positions held by the members of the Board of Directors.

Name	**Other main position**
Tomaso Tommasi di Vignano	Director of HERAmbiente S.p.A. Chairman of AcegasApsAmga S.p.A. Director of HERA Comm S.p.A. Director of HERA Trading S.r.l. Director of INRETE Distribuzione Energia S.p.A.
Gabriele Giacobazzi	Director of HERAtech S.r.l. Chairman of the Order of Engineers of the Province of Modena
Stefano Venier	Director of Acantho S.p.A. Director of HERAmbiente S.p.A. Director of AcegasApsAmga S.p.A. Deputy Chairman of HERA Comm S.p.A.

	Director of HERA Trading S.r.l. Director of INRETE Distribuzione Energia S.p.A. Director of EstEnergy S.p.A. Director of MIB School of Management of Trieste
Fabio Bacchilega	Chairman of CON.AMI Chairman of Fonderia Cab S.r.l. Chairman of CdA Fonderia Fomar Ghisa S.r.l. Sole Director of CORA Costr. Resid. Artig. S.r.l. Director of Acantho S.p.A. Director of HERAmbiente S.p.A.
Danilo Manfredi	Chairman of HERA Trading S.r.l. Chairman of HERA Luce S.r.l.
Alessandro Melcarne	Director of HERA Comm S.p.A. Vice Chairman of Confservizi Veneto
Lorenzo Minganti	Director of HERAtech S.r.l. Chairman of Se.ra S.r.l. Director of AEES - Agenzia per l'energia e lo sviluppo sostenibile Member of the Steering Committee of INU – Istituto Nazionale Urbanistica
Monica Mondardini	Independent Director of HERA Comm S.p.A. Chief Executive Officer of CIR S.p.A. Chairman of Sogefi S.p.A. Director of KOS S.p.A. Independent Director of Edenred S.A.
Erwin P.W. Rauhe	Chairman of HERA Comm S.p.A. Independent Director of SOL S.p.A. Independent Director of Eigenmann & Veronelli S.p.A. Director of Eigenmann & Veronelli Iberica SL Director of "Kreis der deutschsprachige Fuehrungskraefte" Associate Professor of IESE/Università di Navarra Sole Director of Rabofin S.r.l. Sole Director of Executive Advocacy S.r.l. Director of Alternative Energy Innovations S.L. Director of Camera di Commercio Italo-Germanica Director of DIHK (Organizzazione delle Camere di Commercio tedesche) Arbitrator of Federchimica
Manuela Cecilia Rescazzi	Director of Uniflotte S.r.l. Director of HERA Luce S.r.l.
Paola Gina Maria Schwizer	Director of HERA Trading S.r.l. Director of Cellularline S.p.A. Member of Supervisory Board of IGM in l.c.a.

	Member of Supervisory Board of Progetto SIM in a.s. Director of Ferrovie dello Stato Italiane S.p.A
Federica Seganti	Director of HERA Trading S.r.l. Chairman and Chief Exectutive Officer of Friulia S.p.A. Director of Eurizon Capital SGR S.p.A. Director of Fincantieri S.p.A. Director of Finest S.p.A.
Bruno Tani	Director of HERA Comm S.p.A. Director of HERA Trading S.r.l. Director of Gas Rimini Holding S.p.A. Vice Chairman and Managing Director of Società GAS Rimini S.p.A. Member of the Presiding Committee of Associazione Nazionale Industriali Gas (ANIGAS) Chief Executive Officer of City Gas Bulgaria EAD Chief Executive Officer of Technoterm Ingenering EAD
Alice Vatta	Partner of Business Partner Institute S.r.l. Member and Chairman of the board of BPI Learning Consulting Spain, Sociedad limitada
Marina Vignola	Director of Acantho S.p.A. Director of INRETE Distribuzione Energia S.p.A. Head of the Degree Course in International Economics and Marketing, Department of Economics Marco Biagi - University of Modena and Reggio Emilia

Independent Directors

The current Board of Directors includes thirteen independent Directors who meet the requirements of independence and qualify as independent Directors in accordance with the guidelines provided for by the Corporate Governance Code. As at the date of this Base Prospectus the independent Directors are Mr Fabio Bacchilega, Mr Gabriele Giacobazzi, Mr Danilo Manfredi, Mr Alessandro Melcarne, Mr Lorenzo Minganti, Ms Monica Mondardini, Mr Erwin P.W. Rauhe, Ms Manuela Cecilia Rescazzi, Ms Paola G. M. Schwizer, Ms Federica Seganti, Mr Bruno Tani, Ms Alice Vatta and Ms Marina Vignola.

On 16 December 2020, the Board of Directors, on the recommendation of the Vice Chairman and on behalf of all the independent Directors, appointed as Lead Independent Director Mr Erwin Paul Walter Rauhe. The Lead Independent Director will remain in office until the date of the shareholders' meeting called to approve Hera's financial statements for the year ending on 31 December 2022.

Senior Management

The following table sets forth the members of Hera's senior management:

Name	**Position**
Tomaso Tommasi di Vignano	Executive Chairman
Stefano Venier	Chief Executive Officer
Gabriele Giacobazzi	Vice Chairman

Luca Moroni	Chief Financial Officer
Stefano Venier	Director (ad interim) of business development and subsidiary companies
Giancarlo Campri	Director of personnel and organisation
Mila Fabbri	Director of legal & corporate affairs
Massimo Vai	Director of strategy, regulation and local authorities
Salvatore Molè	Director of innovation
Marcello Guerrini	Director of Corporate Services
Antonella Esposito	Director of internal auditing
Filippo Bocchi	Director of shared value and sustainability
Giuseppe Gagliano	Director of external relations
Jens Klint Hansen	Director of investor relations
Cristian Fabbri	Director of market and Chief Executive Officer of Hera Comm S.p.A.
Alessandro Baroncini	Director of network
Franco Fogacci	Director of waste management and fleets

Internal Committees

Under the authority conferred by Hera's By-laws, the Board of Directors has deemed it appropriate to establish four committees with advisory and consultative role in order to increase the efficiency and the effectiveness of its activities.

As at the date of this Base Prospectus, Hera's Board of Directors has set up the following internal committees:

- The Executive Committee, having the task of expressing opinions on important issues, such as proposed appointments to top level executive positions, draft of financial statements, the annual Group business plan and budget, before such issues are submitted to the Board of Directors. The Executive Committee has, *inter alia*, the authority to make certain economic-financial decisions relating to amounts, which exceed the financial authority granted individually to the Chairman and the Chief Executive Officer, but which are not strategically significant when compared to the Group economic-financial amounts. As at the date of this Base Prospectus, the Executive Committee is composed of four members: Mr Tomaso Tommasi di Vignano (Chairman), Mr Gabriele Giacobazzi (Vice Chairman), Mr Stefano Venier and Mr Alessandro Melcarne.
- The Remuneration Committee, having the task of, *inter alia*, (i) submitting proposals to the Board of Directors on the remuneration of executive Directors and other executives with strategic responsibilities, as well as on the adoption of general criteria for determining fees for management and (ii) monitoring on the implementation of the Board of Directors' decisions taken in this regard and the actual implementation of the general remuneration criteria. In accordance with the Corporate Governance Code, the Remuneration Committee is composed of four non-executive and independent Directors, who, as at the date of this Base Prospectus, are Mr Gabriele Giacobazzi (Chairman), Mr Fabio Bacchilega, Ms Monica Mondardini and Ms Alice Vatta.

- The Controls and Risks Committee having the task of supporting the decisions and assessments of the Board of Directors in relation to the internal control and risk management system and concerning the approval of periodic financial reports. In addition, such Committee is tasked with, *inter alia*, overseeing the operation of the internal control system, the efficiency of company operations, the reliability of financial information, compliance with the law and with regulations, and protection of company assets. The Controls and Risks Committee also performs the functions of Committee for Transactions with Related Parties and expresses binding opinions in cases of large-value transactions. In accordance with the Corporate Governance Code, the Controls and Risks Committee is composed of non-executive and independent Directors who, as at the date of this Base Prospectus, are Mr Gabriele Giacobazzi (Chairman), Mr Lorenzo Minganti, Mr Erwin P.W. Rauhe and Ms Paola Gina Maria Schwizer.
- The Ethics Committee and Sustainability is tasked with (i) monitoring the implementation of sustainability policy; (ii) formulating, upon request of the Board of Directors, opinions on specific sustainability issues; (iii) examining the corporate procedures on social and environmental issues and (iv) examining the Sustainability Report before submission to the Board of Directors. As at the date of this Base Prospectus, the committee is composed of four members: Ms Federica Seganti (Chairman), Mr Filippo Maria Bocchi, Ms Cristiana Rogate and Ms Alice Vatta.

Internal control and risk management system and the Risk Committee

The internal control and risk management system of Hera is integrated into its broader organizational and corporate governance structures and takes into account recommendations of the Corporate Governance Code, reference models and best practices at national and international levels.

In particular, in 2011, Hera established the Risk Committee, having the task, *inter alia*, of monitoring and reporting on risk management process, including, in particular, mapping and monitoring of corporate risks, defining the relevant guidelines, risk policies and measures parameters to be approved by the Board of Directors and ensuring half-yearly reporting to the Board of Directors. It also defines and ensures protocols to be notified to the Controls and Risks Committee, the internal Auditing Department and the Board of Auditors.

The Risk Committee is composed of the Executive Chairman, the Vice Chairman, the Chief Executive Officer, the Chief Financial Officer, the Director of Market and the Enterprise Risk Manager. In addition, in case of specific issues, the Risk Committee is attended by Central Director of Legal and Corporate Affairs, the Central Director of Corporate Services, the Central Director of Innovation and Hera Trading's Chief Executive Officer.

Board of Statutory Auditors

The Board of Statutory Auditors and its members

The board of statutory auditors (the "**Board of Statutory Auditors**") supervises the Group's correct administration, assessing the adequacy of the organisation, administration and accounting structure adopted by the Board of Directors.

Pursuant to the Company's By-laws, the Board of Statutory Auditors is composed of three standing auditors and two alternate auditors, each of which shall meet the requirements provided for by applicable law and Hera's By-laws (each a "**Statutory Auditor**"). All members of the Board of Statutory Auditors are appointed by the shareholders' meeting by way of a voting list system for three financial years. The alternate auditors will replace the statutory auditor belonging to the same list who resigns or is otherwise unable to serve as statutory auditor in accordance with applicable law and the Hera's By-laws.

The shareholders' meeting of Hera held on 29 April 2020 appointed the Board of Statutory Auditors for a period of three financial years and it will remain in office until the date of the shareholders' meeting called

to approve Hera's financial statements for the year ending 31 December 2022.

The following table sets out the current members of the Hera's Board of Statutory Auditors.

Name	Position
Myriam Amato	Chairman
Antonio Gaiani	Standing Auditor
Marianna Girolomini	Standing Auditor
Valeria Bortolotti	Alternate Auditor
Stefano Gnocchi	Alternate Auditor

The business address of the members of the Board of Statutory Auditors is the Company's registered office at Viale Carlo Berti Pichat n. 2 / 4, 40127 Bologna, Italy.

Other offices held by members of the Board of Statutory Auditors

The table below sets forth the offices of the boards of directors, boards of statutory auditors, supervisory committees or other positions other than those within the Hera Group held by the members of its Board of Statutory Auditors.

Name	Other main position held
Myriam Amato	Standing Auditor of Acantho S.p.A.
	Standing Auditor of HERAmbiente S.p.A.
	Chairman of Board of Statutory Auditors of HERA Comm S.p.A.
	Chairman of Board of Statutory Auditors of Amgas Blu S.r.l.
	Chairman of Board of Statutory Auditors of Wolmann S.p.A.
	Alternate Auditor of HERA Comm Marche S.r.l.
	Alternate Auditor of Ascopiave Energie S.p.A.
	Standing Auditor of Ascotrade S.p.A.
	Standing Auditor of Blue Meta S.p.A.
	Chairman of Board of Statutory Auditors of HERA Trading S.r.l.
	Alternate Auditor of Eco Gas S.r.l.
	Chairman of Board of Statutory Auditors of AcegaApsAmga Servizi Energetici S.p.A.
	Chairman of Board of Statutory Auditors of HERA Luce S.r.l.
	Standing Auditor of AcegasApsAmga S.p.A.
	Standing Auditor of INRETE Distribuzione Energia S.p.A.
	Alternate Auditor of HERAmbiente Servizi Industriali S.r.l.

	Alternate Auditor of HERAtech S.r.l.
	Alternate Auditor of Uniflotte S.r.l.
	Alternate Auditor of HestAmbiente S.r.l.
	Standing Auditor of Biorg S.r.l.
	Alternate Auditor of Recycla S.p.A.
	Standing Auditor of Tre Monti S.r.l.
	Chairman of Board of Statutory Auditors of Tamburi Investment Partners S.p.A.
	Standing Auditor of Neptune Vicolungo S.r.l.
	Standing Auditor of Castel Guelfo S.r.l.
	Standing Auditor of Kipoint S.p.A.
	Standing Auditor of Credimi S.p.A.
	Statutory Auditor of Doorway S.r.l.
	Director of Revinet S.p.A.
	Alternate Auditor of Brembo S.p.A.
	Alternate Auditor of Tod's S.p.A.
	Alternate Auditor of Brunello Cucinelli S.p.A.
	Alternate Auditor of Yoox S.p.A.
Antonio Gaiani	Chairman of Board of Statutory Auditors of INRETE Distribuzione Energia S.p.A.
	Chairman of Board of Statutory Auditors of HERA Servizi Energia S.r.l.
	Standing Auditor of HERAtech S.r.l.
	Standing Auditor of HERA Comm S.p.A.
	Standing Auditor of Amgas Blu S.r.l.
	Standing Auditor of HERA Trading S.r.l.
	Standing Auditor of AcegaApsAmga Servizi Energetici S.p.A.
	Standing Auditor of HERA Luce S.r.l.
	Standing Auditor of Frullo Energia Ambiente S.r.l.
	Standing Auditor of HERAmbiente Servizi Industriali S.r.l.
	Standing Auditor of HestAmbiente S.r.l.
	Standing Auditor of ASM Servizi Energetici e Tecnologici S.r.l.
	Standing Auditor of HERA Comm Marche S.r.l.
	Standing Auditor of Ascopiave Energie S.p.A.

	Standing Auditor of Feronia S.r.l.
	Standing Auditor of Adria Link S.r.l.
	Standing Auditor of Uniflotte S.r.l.
	Standing Auditor of Enomondo S.r.l.
	Alternate Auditor of Ascotrade S.p.A.
	Alternate Auditor of Wolmann S.p.A
	Alternate Auditor of Acantho S.p.A.
	Alternate Auditor of AcegasApsAmga S.p.A.
	Alternate Auditor of Aloe S.p.A.
	Alternate Auditor of Tamarete Energia S.r.l.
	Alternate Auditor of HERAmbiente S.p.A.
	Alternate Auditor of Marche Multiservizi S.p.A.
	Alternate Auditor of Aliplast S.p.A.
	Alternate Auditor of Eco Gas S.r.l.
	Alternate Auditor of Biorg S.r.l.
	Alternate Auditor of HEA S.p.A.
	Sole Director of G.S.G. S.r.l.
	Standing Auditor of Camera di Commercio di Bologna
	Standing Auditor of Fondazione Cecilia e Mario Piretti
	Statutory Auditor of Fornitek
Marianna Girolomini	Chairman of Board of Statutory Auditors of Aloe S.p.A.
	Chairman of Board of Statutory Auditors of HERAtech S.r.l.
	Chairman of Board of Statutory Auditors of Tamarete Energia S.r.l.
	Standing Auditor of INRETE Distribuzione Energia S.p.A.
	Standing Auditor of HERA Comm S.p.A.
	Standing Auditor of Amgas Blu S.r.l.
	Standing Auditor of Wolmann S.p.A.
	Standing Auditor of HERA Trading S.r.l.
	Standing Auditor of Uniflotte S.r.l.
	Standing Auditor of HERA Luce S.r.l.
	Standing Auditor of Aliplast S.p.A.

	Standing Auditor of ASA S.c.p.A.
	Standing Auditor of HERAmbiente Servizi Industriali S.r.l.
	Standing Auditor of HestAmbiente S.r.l.
	Standing Auditor of S.G.R. Servizi S.p.A.
	Standing Auditor of Ascopiave Energie S.p.A.
	Standing Auditor of Ascotrade S.p.A.
	Standing Auditor of Eco Gas S.r.l.
	Standing Auditor of HEA S.p.A.
	Alternate Auditor of EstEnergy S.p.A.
	Alternate Auditor of Blue Meta S.p.A.
	Alternate Auditor of Etra Energia S.r.l.
	Alternate Auditor of Acantho S.p.A.
	Alternate Auditor of AcegasApsAmga S.p.A.
	Alternate Auditor of Feronia S.r.l.
	Alternate Auditor of Enomondo S.r.l.
	Alternate Auditor of SET S.p.A.
	Alternate Auditor of AcegasApsAmga Servizi Energetici S.p.A.
	Alternate Auditor of Frullo Energia Ambiente S.r.l.
	Alternate Auditor of HERA Comm Marche S.r.l.
	Alternate Auditor of HERA Servizi Energia S.r.l.
	Alternate Auditor of Adria Link S.r.l.
	Alternate Auditor of Biorg S.r.l.Alternate Auditor of Tre Monti S.r.l.Alternate Auditor of Banca Malatestiana – Credito Cooperativo – Società Cooperativa
Valeria Bortolotti	Sole Director of Filarmonica di Bologna S.r.l.
	Statutory Auditor of Borghi F.lli Imballaggi S.r.l.
Stefano Gnocchi	Chairman of Board of Statutory Auditors of Snam S.p.A.
	Chairman of Board of Statutory Auditors of Gruppo MOL S.p.A.
	Standing Auditor of MTA S.p.A.
	Standing Auditor of Vercelli DC1 S.p.A.
	Standing Auditor of Logistica Bentivoglio S.p.A.
	Standing Auditor of RCP 6 S.r.l.
	Standing Auditor of Consorzio Logistica Pacchi S.c.p.a.

	Standing Auditor of San Salvo S.p.A. Standing Auditor of Castel San Giovanni 3 S.p.A. in liquidazione Alternate Auditor of Paredes Mapedo S.p.A. Alternate Auditor of Paredes Italia S.p.A. Alternate Auditor of Gruppo Gazechim Italia S.r.l. Proxy Holder of Mazars Italia S.p.A.

Conflicts of Interest

No potential conflicts of interest exist between any duties to Hera of the members of Hera's Board of Directors, Board of Statutory Auditors or management and the private interests, or other duties, of such persons.

Shareholders

Major Shareholders

As at the date of this Base Prospectus, Hera has a widespread shareholding structure with 111 public shareholders that are parties to a shareholders' agreement (approximately 45.9% of Hera's share capital), effective from 1 July 2021 and expiring on 30 June 2024, stipulated on 28 April 2021 in continuity with the previous agreement stipulated on 26 June 2018, governing, *inter alia*, the disposal of part of their shareholdings in Hera (approximately 38.3% of Hera's share capital) (the "**Public Shareholders' Agreement**"). Pursuant to the Public Shareholders' Agreement, the public entities which are parties thereto have undertaken to keep a minimum portion of their shares registered in the Special List.

The following table sets forth all shareholders of Hera holding, either directly or indirectly, more than 3% of Hera voting capital, based on communications provided pursuant to Article 120 of the Financial Services Act and publicly available information.

Declarer	Direct Shareholder	Type of possession	Percentage of voting capital
Comune di Bologna	Comune di Bologna	Owner	11.220%
	Total		**11.220%**
Comune di Imola	CON.AMI	Owner	9.726%
	Comune di Imola	Owner	0.006%
	Total		**9.732%**
Comune di Modena	Comune di Modena	Owner	8.706%
	Total		**8.706%**
Lazard Asset Manag. LLC *Gestione del Risparmio*	Lazard Asset Manag. LLC *Gestione del Risparmio*	Owner	3.730%

	Total		**3.730%**
Comune di Ravenna	Ravenna Holding S.p.A.	Owner	6.652%
	Comune di Ravenna	Owner	0.000%
	Total		**6.652%**
Comune di Trieste	Comune di Trieste	Owner	4.982%
	Total		**4.982%**
Comune di Padova	Comune di Padova	Owner	4.135%
	Total		**4.135%**
Comune di Udine	Comune di Udine	Owner	3.957%
	Total		**3.957%**

Increased voting rights

The extraordinary shareholders' meeting of Hera held on 28 April 2015 amended Article 6.4 of Hera's By-laws by introducing the so-called increased voting rights (*sistema di voto maggiorato*) provided under Article 127-*quinquies* of the Financial Services Act. Such voting system provides a bonus for shareholders holding a stable interest in Hera's share capital and are thus more inclined to promote the Hera Group's long-term growth.

For this purpose, Hera has set-up a special list (the "**Special List**") where shareholders may apply to be enrolled specifying the number of shares in respect of which such application is made. Shareholders enrolled for a continuous period of at least twenty-four months from the date of their registration in the Special List and providing a certificate issued by the account holder which certifies the continuous enrolment in such Special List will be entitled to cast two votes per each of such shares on the resolutions relating to the following matters:

(1) amendment to Article 6.4 and 8 of Hera's by-laws;

(1) appointment and/or removal of the Board of Directors or of any Director; and

(2) appointment and/or removal of the Board of Statutory Auditors or of any Statutory Auditor.

Treasury shares and buy-back programme

In 2006, Hera initiated a programme to buy-back its ordinary shares on the market and hold them as treasury shares in order to fund opportunities that may arise for the integration of small companies and to standardise any anomalous fluctuations in share prices compared with those of its main Italian competitors. The shareholder meeting held on 28 April 2021 extended this treasury share purchase plan (the "**Share Purchase Plan**") for a further 18 months whereby a maximum revolving of 60 million shares may be purchased by Hera, up to a total amount of €240 million. The same shareholders' meeting resolved also to authorise the disposal (including, without limitation, any sale, exchange and contribution in kind) of the treasury shares purchased from time to time.

As at the date of this Base Prospectus, Hera holds 27,005,020 treasury shares.

Transactions with Related Parties

On 21 December 2010, the Board of Directors of Hera approved a new procedure, subsequently updated, that regulates the approval and the execution of the transactions with related parties entered into by Hera, directly or through its subsidiaries, which was adopted in accordance with the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing CONSOB Regulation No. 17221 of 12 March 2010, as subsequently amended. Such procedure replaced, with effect from 1 January 2011, any previous regulation for transactions with related parties approved by the Board of Directors of Hera. On 30 June 2021, the Board of Directors of Hera approved an update of the above-mentioned procedure, effective as from 1 July 2021, in order to adapt it to the changes introduced by CONSOB resolution No. 21624 of 10 December 2020 to CONSOB Regulation No. 17221 of 12 March 2010.

For further information, see "*Procedure for related parties transactions*" available, on the Hera's websitehttps://eng.gruppohera.it/group_eng/corporate-governance/corporate-governance-system/procedures-for-transactions-with-relation-parties.

The Hera Group performs local public services, in almost all of the territories of its municipality shareholders, based on direct contracts with the municipalities, which are entered into on an arms-length basis. In the management of these services, Hera makes use of networks, plants and assets owned by the Hera Group and manages other networks, plants and assets owned by the local public bodies, which are shareholders of Hera, and by the asset companies, whose shareholders are also shareholders of Hera.

Independent Auditors

The Issuer's current independent auditors are Deloitte & Touche S.p.A. ("**Deloitte**"), with registered office at Via Tortona 25, 20144 Milan, Italy. Deloitte is registered under No. 132587 in the register of independent auditors held by the Ministry of Economy and Finance and is also a member of the ASSIREVI (*Associazione Nazionale Revisori Contabili*), the Italian association of auditing firms.

Deloitte was appointed for the 2015 – 2023 period by the shareholders' meeting held on 23 April 2014, upon a proposal put forward by the Board of Statutory Auditors. Deloitte audited, *inter alia*, the consolidated financial statements of the Hera Group for the financial year ended on 31 December 2020 and on 31 December 2019.

RECENT DEVELOPMENTS

S&P RATING

On 30 June 2021, Hera's long term rating has been upgraded by S&P to "BBB+", with stable outlook. According to the rating agency, despite Hera's increasing involvement in the riskier electricity generation and trading business and an aggressive dividend policy, the Issuer deserves a positive rating thanks to a sound financial policy, a stable and predictable cash flow generation from fully regulated activities in the electricity, gas, water distribution and waste collection, together representing about 45% of EBITDA over 2020-2023, and its dominant position in the wealthy and populated northern Italian Region of Emilia Romagna.

HERA BOARD OF DIRECTORS APPROVED THE HALF-YEARLY RESULTS AS AT 30 JUNE 2021

On 28 July 2021, the Board of Directors of Hera examined and approved the Issuer's consolidated half-yearly report as at 30 June 2021, which is incorporated by reference into this Base Prospectus (see, "*Documents Incorporated by Reference*" above).

THE WORLD'S FIRST AWS-CERTIFIED DRINKING WATER

Hera's Sasso Marconi (BO) drinking water plant has been certified by the AWS (Alliance for Water Stewardship), the leading international standard that encourages a responsible use of water resources and acts as the global benchmark in this area. Hera is the first utility worldwide to obtain this certification for a drinking water plant.

The AWS standard is designed to help companies and individuals to implement responsible practices and protect water resources, improving their efficiency and addressing current and future water challenges such as drought, climate change and population growth.

ACQUISITION OF ENTIRELY SHARE CAPITAL OF ASCOTRADE

Through its subsidiary EstEnergy, the Hera Group acquired 11% of the share capital of Ascotrade S.p.A., a company operating in the sale of gas and electricity, from Bim Gestione servizi pubblici in Belluno S.p.A. as a result of such acquisition EstEnergy controls 100% of the share capital of Ascotrade. This transaction is part of a rationalisation and consolidation process following the Hera Ascopiave Partnership. Through this acquisition the Hera Group has further consolidated its leadership in the energy area.

HERAMBIENTE ACQUIRES VALLORTIGARA GROUP

The Hera Group, through its subsidiary Herambiente, acquired 80% of the Vallortigara S.p.A. , which provides services to industries, public administrations and citizens and manages a multifunctional platform for special waste treatment in the municipality of Torrebelvicino (Province of Vicenza). Thanks to such acquisition, the Hera Group has further consolidated its leadership in the waste management sector, also bay strengthening the geographical presence, improving efficiency and quality of services and generating positive returns in the areas served, along with economic benefits for customers.

ACEGASAPSAMGA WINS THE GAS TENDER FOR UDINE 2 ATEM

On 20 September 2021, the Municipality of Udine, acting as contracting body, has officially awarded to AcegasApsAmga the tender for managing the natural gas distribution service in the Udine 2 ATEM, which comprises 18 municipalities (including Udine) and over 90 thousand users, with a network stretching over 1,200 km. For further information on the concession of the Hera Group in this sector see "*Business of the Hera Group – Key Concessions*".

HERA AMONG THE WORLD'S TOP COMPANIES FOR DIVERSITY AND INCLUSION

Hera has been confirmed among the listed companies most committed to promoting diversity, inclusion and people development worldwide, as it emerges from the 2021 edition of the "Diversity & Inclusion Index" published by Refinitiv, which examined approximately 11,000 companies globally and awarded the Hera Group with 42nd place in the world ranking, 2nd best multi-utility in the world and 3rd best among Italian companies.

REGULATION

EU and Italian laws and resolutions comprise significant regulation in relation to the Hera Group's core energy (sale and distribution of electricity and gas), water (water pipeline, sewerage and purification), district heating and environmental services (waste collection and disposal businesses). The main legislative and regulatory measures applicable to the Hera Group at the date of this Base Prospectus (September 2021) are summarised below. Although this summary contains all the information that the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulation. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the Hera Group and of the impact it may have on an investment in the Notes and should not rely on this summary only.

Overview on energy and environmental European and Italian regulation

EU Energy Regulation: the Clean Energy Package

In 2016 The EU has agreed a comprehensive update of its energy policy framework to facilitate the transition away from fossil fuels towards cleaner energy and to tackle global warming (according to EU's Paris Agreement commitments for reducing GHG emissions).

This new energy rulebook – called "**the Clean energy for all Europeans package**" entered into force on late spring 2019 (although Italy has 2 years to transpose the new directives into national law). The package consists of eight legislative acts, in order to establish a modern design for the EU electricity market, adapted to the new realities of the market (more flexible, more market-oriented and better placed to integrate a greater share of renewables) and to promote energy efficiency. The measures are listed below:

- **Energy performance in buildings Directive** (2018/844): outlines specific measures for the building sector to tackle GHG emissions and energy efficiency challenges (updating and amending provisions from the 2010 Energy Performance Building Directive).
- **Renewable energy II Directive** (2001/2018) set an ambitious binding target of 32% for renewable energy sources in the EU's energy mix by 2030. The recast renewable energy directive entered into force in December 2018.
- **Energy efficiency Directive** (2002/2018): putting energy efficiency first is a key objective in the package. The EU has therefore set binding targets of at least 32.5% energy efficiency by 2030, relative to a 'business as usual' scenario. The new directive (amending 2012/27 energy efficiency directive) has been in place since December 2018.
- **Governance Regulation** (1999/2018): introduces five dimensions for the governance of the energy union, through which each Member State is required to draft integrated 10-year national energy and climate plans ("**NECPs**") for 2021 to 2030 outlining how they will achieve their respective targets on all dimensions of the energy union, including a longer-term view towards 2050.
- **Internal electricity market Regulation**: establishes rules aimed at ensuring the functioning of the internal electricity market supply and includes renewable energy and environmental policy development requirements and specific rules for certain types of renewable energy plants with regard to the balancing responsibility, dispatching and re-dispatching as well as the CO_2 emissions threshold for the new generated power, whether the same capacity is subject to temporary measures and ensure the necessary level of resource adequacy, i.e. capacity mechanisms.
- **Common rules for the internal energy market electricity Directive**: the main goals of the Directive are to guarantee (i) common standards for the internal market and (ii) a broad electricity supply accessible to all.

- **A new regulation on risk preparedness.**
- **A regulation outlining a stronger role for the Agency for the Cooperation of Energy Regulators (ACER).**
- **In any case it is important to highlight that Energy Efficiency Directives ad RED II are under revision according to New Green Deal provisions (see dedicated section below).**

Italian Energy Regulation and the Italian Energy strategy

Ministry for Economic Development ("**MED**") shares the responsibility for the overall supervision and regulation of the Italian energy sector with the Regulatory Authority for Energy, Networks and Environment ("**ARERA**"). In particular, the MED establishes the strategic guidelines and principles for the electricity and gas sector, while the ARERA regulates tariffs and technical matters.

In addition to regulation by the ARERA, the Antitrust Authority also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their suppliers.

As regards national policies, in early 2020 the Ministry for economic development approved the definitive version of the **Energy and Climate Integrated National Plan (NECP)**, which defines goals for 2030 in terms of renewable energy production (30%), energy efficiency (-40% vs. 2007) and emission reduction (-40% vs. 1990). These figures will all likelihood be revised in light of new Green Deal features (and in particular according to new hydrogen trends).

In line with the EU vision, Italy plans to take an integrated approach to tackling issues relating to energy and climate, and agrees with the approach proposed by the Governance Regulation, which opts for an organic and synergic strategy for the five dimensions of the Energy Union, in particular:

(a) **Decarbonization**: Italy is considering accelerating the transition from traditional fuels to renewable sources, by promoting the gradual phasing out of coal for electricity generation in favour of an electricity mix based on a growing renewables share and, for the remainder, gas. This transition will require replacement plants and the necessary infrastructure to be built with the proper planning;

(b) **Energy efficiency**: the Italian strategy provides for a mix of physical, economic (in particular maintaining existing incentives regimes), regulatory and policy instruments, calibrated towards the sectors of activity (i.e. industry, transports and households) and type of beneficiaries;

(c) **Energy security**: In terms of security of supply, the aim is, on the one hand, to become less dependent on imports by increasing renewable sources and energy efficiency and, on the other hand, to diversify sources of supply (for example through the use of natural gas, including LNG, with infrastructure consistent with the scenario of full decarbonisation by 2050);

(d) **Internal market**: a greater degree of market integration is considered to be advantageous to the entire Union, and therefore the electricity interconnections and market coupling with other Member States will be enhanced; however, given Italy's geographical position, the interconnections with third countries will also be studied and developed, in order to facilitate efficient trade. Particular attention will be paid to the resilience and flexibility of the systems, in particular of transmission and distribution networks, through the use of preventive measures proportionate to the expected increase in extreme events and periods of heavy load, and management rules that enable the proper functioning of the systems to be quickly restored; and

(e) **Research and innovation**: Italian strategy focuses on three criteria:

- the finalization of resources and activities geared towards the development of processes, products and knowledge related to the use of renewables, energy efficiency and network technology;

- the synergistic integration between systems and technologies;
- the milestones in the process towards full decarbonization.

EU and Italian circular economy – waste legislation package

In adopting the Circular Economy Action Plan in December 2015, the European Commission proposed a set of revised Legislative Proposals on Waste: after the discussion at EU level, the directives have been officially published in June 2018 and was transposed into the Italian national legislation by 7th August 2020.This relevant European legislation was implemented amending the Legislative Decree n.152/2006 (the "Environmental Code"), which regulates the legislative framework for waste management in Italy, as well as the Decree n.36/2003, which regulates the waste landfill management and aftercare. The revised directives introduce new targets for municipal waste management, along with provisions regarding the management of the several waste fractions, in order to enhance the transition to a Circular Economy.

In particular, the revised Waste Framework directive (EU) 2018/851 establishes a set of targets for recycling of municipal waste (55% by 2025, increasing to 60% by 2030 and 65% by 2035). Beside these targets, the directive also promotes several measures for waste prevention and provides a set of economic instruments and other measures to enhance the application of the waste hierarchy. The waste framework directive introduces also minimum requirements for the Extended Producers Responsibility and requires the Member States to introduce separate collections for biowaste (by 31 December 2023), and for textiles and hazardous waste (by 1 January 2025).

The revised Landfill directive (EU) 2018/850 sets a new target for limiting the landfilling of municipal waste at 10% by 2035.

Finally, the revised Packaging and packaging waste directive (EU) 2018/852 sets more ambitious targets for the recycling of the several packaging materials, in order to improve the overall resource efficiency.

The European Green deal

As regards European policies, the most significant new features are expected to appear in the **European "Green Deal"**, the strategy adopted by the European Commission to orient growth in the EU and define a path allowing climate neutrality to be met by 2050. The "Green Deal" is a fundamental element in European industrial strategy and economic recovery, and it will include numerous policy measures intended to make a transition to sustainability concrete. In early 2020, the Commission presented its **Climate law,** which aims at setting more ambitious targets in reducing climate-changing emissions by 2030 (55% compared to the figures recorded in 1990) Within the Green Deal, the 2020 policies concerning the energy sector include the Smart Sector Integration Strategy. This initiative, in combination with a hydrogen development Strategy, presupposes a change in the community's approach to the energy system, with the objective of maximising the use of all renewable sources and making the most, where possible, of currently existing infrastructures.

In order to achieve such ambitious targets, the Commission has published, on July 2021, its "Fit for 55" Package that includes a wide range of reforms, covering the key EU climate policies, as well as various related laws on transport, energy and taxation. Please note that the Package is not yet effective and is just composed by 12 proposals that include (amongst other thing): a reform of the EU Emissions Trading Scheme (EU ETS), the introduction of a carbon border adjustment mechanism (CBAM) to tax high-carbon imports but most of all raising targets for renewables and energy efficiency for member states. For these reasons the Package will also imply a revision of Energy Efficiency Directives and RED II.

An additional strategic component of the Green Deal is the **new Circular Economy Action Plan (CEAP),** presented in March 2020, which offers a renewed strategic framework for structuring circularity in the

European Union's economic development. The following initiatives included in the CEAP are worth mentioning:

- elaborating a strategic framework for sustainable production and consumption models, with legislation to apply the ecodesign and principles of circularity (product reuse and recyclability);
- sector initiatives (regulatory and economic tools) concerning the key value chains with high potential for improvement in circularity, including plastics, packaging and the textiles sector;
- bringing sorted waste systems into line across the European Union, considering the most effective combinations in collection models, technical and digital enablers, and economic tools;
- policies and economic measures to create an efficient internal market for recycled materials and ensure high-quality recycling, reducing exports of waste outside the European Union as much as possible.

Electricity regulation in Italy

At a national level, electricity regulation is very fragmentary. The Italian liberalisation of the electricity sector started in 1999 with Legislative Decree No. 79/1999 (the "**Bersani Decree**"), implementing the EU Directive 1996/92/EC on the internal electricity market. The Bersani Decree provides, *inter alia*, for the separation of generation, transmission and distribution activities, the introduction of free competition in power generation and the gradual opening of the retail market to competition for consumers meeting certain consumption thresholds (the "**free market**"), while maintaining a regulated monopoly structure for power transmission and distribution.

The regulatory framework for the Italian electricity sector based on the Bersani Decree has been further amended by, *inter alia*, Law No. 239 of 23 August 2004 (known as the Marzano Law) and several other provisions implementing European directives on the energy sector, including, in particular, Directive 2001/77/EC, Directive 2003/54/EC and Directive 2009/72/EC, with a view to improving liberalisation and competition. The discipline of separation has been implemented by internal laws and ARERA Resolutions, including in force Resolution No. 296/15 concerning the functional unbundling integrated text.

In the same direction, the regulatory framework on electricity sector has been updated by Law Decree No. 91/2014 transposed into Law No. 116/2014 (the "**Competitiveness Decree**"). In particular, the Competitiveness Decree has endorsed measures aiming at reducing energy costs for small and medium-size Italian companies as well as it has redefined incentives for renewable sources, based on a combination of the residual term for the incentive and its extent in time.

Legislative Decree No. 102/2014, implementing the Directive 2012/27/UE, has provided measures to improve energy efficiency and to achieve the primary energy saving national target for the period 2014-2020, by means of three main tools, which are the Energy Efficiency Certificate system, tax deductions and the Energy Efficiency Support Scheme (*Conto Termico*).

Transmission and distribution

Network electricity activities are "transmission" (the transport of electricity on high and very high voltage interconnected networks from the plants where it was generated or, in the case of imported energy, from the points of acquisition, to distribution systems) and "distribution" (the transportation and conversion of electric energy, from the transmission grid, on distribution networks of medium and low-voltage for delivery to end-users).

Distribution companies in Italy are licensed by the state to provide distribution services to all clients who request them. These clients are subject to the payment of applicable tariffs.

The Bersani Decree sought to promote the consolidation of the Italian electricity distribution industry by providing for a single distribution licence within each municipality and establishing procedures to

consolidate distribution activities under a single operator in municipalities where both Enel S.p.A. (the former monopolist) and a local distribution company were engaged in electricity distribution. The same Bersani Decree gave local distribution companies the right to request that Enel S.p.A. sell its distribution networks located in the municipalities where those companies already distributed electricity to at least 20% of the consumers.

Regulated activities are remunerated through the network tariff component, which is set directly by the ARERA at the same level for all operators on the national territory. At the end of 2019, with Resolutions 568/2019/R/eel and 566/2019/R/eel, ARERA updated the new tariff and quality regulation for transmission, distribution and metering services for the second regulatory sub-period 2020-2023. The tariff mechanism is substantially confirmed: capital expenditures, depreciation and operating costs for providing transmission, distribution and metering services are covered by tariffs set up by ARERA at the beginning of each regulatory period and updated on a yearly basis with an inflation and an efficiency parameter for operating costs and with actual balance sheet value for capital expenditures.

In 2015, with Resolution 583/2015/R/com, it was established an overall reform of the "return on invested capital" (WACC), pursued to avoid the extreme rates' volatility experienced during the last years of financial turbolences: with this reform ARERA has established a floor to the risk free rate (one of the main component of the WACC formula), considered the minimum reasonable return for infrastructure investments, and has defined a "country risk premium" to isolate the higher return requested by investors to finance companies in high-risk countries (like Italy). In late 2018 ARERA approved the current three-year period 2019-2021 return on capital (5,9% real, pre-tax) confirming the stability of the rules introduced in 2015 (639/2018/R/com).

Renewable energy

With particular reference to the promotion of electricity generated by renewable sources, in Italy the first incentive mechanism promoting electricity production through non-conventional sources was introduced, in 1992, by means of the so called CIP-6 Regulation, issued by the Interministerial Price Committee, an Italian governmental committee. The Bersani Decree introduced the incentive regime based on the so-called- green certificate mechanism, applying to all renewable plants, except solar plants (for which specific incentive regime is provided, see below).

Pursuant to the provisions of Legislative Decree No. 28/2011, implementing Directive 2009/28/EC[2], the incentive regime based on Green Certificates is being phased out in favour of an incentive scheme based on feed-in tariffs /premiums and competitive processes for the awarding of incentives to renewable energy plants.

Photovoltaic solar plants benefit from an incentive regime different from the one applicable to plants fuelled by other renewable energy sources. In particular, this incentive regime is based on a feed-in premium tariff paid on top of the price of the electricity generated by photovoltaic solar plants ("**Conto Energia"**). Conto Energia has been regulated in the past years by several ministerial decrees. The Fifth Conto Energia issued on 5 July 2012 has ceased to be applicable since 6 July 2013, as a consequence of the reaching of the cumulative annual approximate cost of the incentives of 6.7 billion Euro, communicated by the ARERA with Resolution 250/2013/R/EFR.

As far as the hydroelectric sector is concerned, the current method of promotion of electricity production from hydroelectric plants is determined by Ministerial Decree 6 July 2012 regarding the methods of electricity incentive produced by plants feed by renewable sources other than solar energy, having power not

[2] The Directive 2009/28/EC is aimed at achieving a 20% share of energy from renewable resources in the EU's final consumption of energy in 2020. In light of this objective, for the first time, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption (for Italy such target is 17%).

lower than 1 kW. The incentives apply to newly built plants and plants that are fully reconstructed, re-activated, upgraded/repowered or renovated and that commence operations after 1 January 2013.

Ministerial Decree 23 June 2016 has also introduced incentives on renewable electricity produced by non-photovoltaics solar plants with a capacity of at least 1 kW.

On 10 August 2019 entered into force the Ministry of Economic Development's Decree of 4 July 2019 ("**MD FER1**") in order to introduce a first reform of renewable energy incentives regulation. MD FER 1 aims to support the following technologies for the next three years: solar photovoltaic as long as the plant is newly built and is not a beneficiary from other incentives for plants with ground-mounted modules on agricultural land; onshore wind; hydroelectric as long as the plant is compliant with specific environmental criteria assessed by the National System for Environmental Protection; sewage treatment gases. The **MD FER1** is expected to increase the total renewables capacity up to 8,000 MW, increasing the production by around 12 billion kWh.

According to **MD FER1** access to incentives shall be exclusively through auction and registration procedures depending on specific threshold for the plant size (up to 1 MW or more). The final ranking of qualified plants is provided by GSE following pre-determined **priority** criteria. The **main incentive mechanism** is based on a "**contract for difference**" tariff calculated as the difference between the Tariff Applicable (for each kind of technology considered) and the power's hourly price per zone. This means that producers will be paid the difference (if positive) between the tariff applicable and the hourly price for electricity per zone. Otherwise when the difference is negative, the producer shall be required to return the surplus to GSE. This subsidy model defines a fixed minimum remuneration per MWh of electricity, determined by a tender procedure, for a defined period (basically 20 years).

Finally, MD FER 1 introduces another option for small scale plants (up to 250 kW) based on a Feed in Tariff (FIT) mechanism equivalent to the Tariff Applicable which also covers the electric power purchased by GSE.

About **other renewables** is important to underline that the MED is drafting another Decree ("**MD FER2**") in order to support more innovative technologies such as: offshore wind, geothermal, ocean energy, solar thermodynamic, biogas and biomass power. The final draft is expected by the end of the year, then it will be sent to EU Commission for the State Aid assessment procedure.

Finally, it is relevant to consider that by the end of the RED II transposition iter - that is still ongoing – many subsidy schemes will be rationalized in order to allow a faster deployment of RES other than electricity such as biomethane, biofuels and hydrogen. Moreover, an additional rationalization is expected to guarantee a cumulation between the existing RES subsidy schemes and the financial sources provided by the Italian National Recovery Plan. Please note that at least the 37% of the latter financial support scheme must be conveyed towards projects related to the Ecological Transition (that include, for instance, RES, energy efficiency, circular economy, sector coupling and hydrogen).

Import

The volume of electricity that can be imported into Italy is limited by:

- the capacity of transmission lines that connect the Italian grid with those of other countries and by concerns relating to the security of the system (currently, a maximum import capacity of approximately 10,800 MW is available to import energy safely); and
- the threshold established by the Bersani Decree with reference to electricity that can be imported by a single company (no more than 50% of the total electricity imported).

The rules for the allocation of interconnection capacity have changed in 2015 when the Price Coupling of Regions ("**PCR**") was introduced. Pursuant to agreements between Terna and neighbouring transmission system operators ("**TSOs**"), interconnection capacity rights for each border are jointly allocated by explicit

auction (on a yearly and monthly basis) and by implicit auction (on a daily basis, with the exception of Switzerland and Greece). PCR is used to calculate energy allocation, net positions and electricity prices across Europe, maximising the overall welfare and increasing the transparency of the computation of prices and power flows resulting in net positions.

The provisions on exemption from the third-party access obligations for companies investing in new connection infrastructures provided for by Law Decree No. 239 of 29 August 2003 (converted into Law No. 290 of 27 October 2003) have been amended by Article 39 of Legislative Decree 93/2011, as briefly described above. Afterwards, the MED has issued the Decree dated 16 January 2015 providing for criteria and conditions applying to electricity imports during 2015.

Capacity mechanism

In accordance with Legislative Decree No. 379 of 19 December 2003 the availability of electricity capacity must be regulated by a compensation mechanism aimed at assuring adequacy of the system to cover the demand with the necessary reserve margins. This capacity payment shall ensure transparency and shall not cause distortion in the market, while reducing the total costs for consumers. As a consequence of a complex process involving TSO, ARERA and the MED, on 30 June 2014 the MED approved the ministerial draft decree that establishes the discipline for the provisional system of payments to remunerate producers that make generation capacity available to the electricity system at times of peak demand, known as capacity market ("**Capacity Market**").

Such draft decree was approved by the European Commission with the Decision c 617 in 2018 and it is consistent with the package of measures aimed at reducing energy bills in favour of small and medium companies. The measure - which is subject of a long discussion between market participants, Italian and European authorities - aims at increasing the competitiveness of the market, at ensuring the safety of the electrical system at minimal cost, and at integrating renewable sources. The draft decree also provides that the new mechanism is essential to ensure a reduction of costs of the system charged on consumers. Some adjustment have been made by **Capacity Market Ministerial Decree** (28 June 2019) in order to incorporate some indications of the European Commission about CO2 emission limits. The mechanism took effect in november 2019, when Terna held the auctions for the year 2022 and 2023.

Sale

Electricity is traded in two main markets, which are the wholesale and the retail markets. The Power Exchange is a marketplace for the spot trading of electricity by producers and consumers under the management of the Gestore dei Mercati Energetici ("**GME**"); it began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange at the system marginal price defined by hourly auctions. Otherwise they can choose to enter into bilateral contracts, whereby the price is agreed with the other counterparty. Recently the market was enhanced through the commencement of operations of new forward-markets: (i) the forward physical market, (the MTE£), which is managed by Electricity Market Operator; and (ii) the derivatives financial market, (the IDEX), which is managed by *Borsa Italiana*.

As far as the retail market is concerned, on 18 June 2007, the Government adopted Legislative Decree No. 73 of 18 June 2007 (subsequently converted into law through Law No. 125 of 3 August 2007, which came into force on 15 August 2007) in the run up to the opening of the free electricity market to all clients (which took place on 1 July 2007). The measure establishes:

- the obligation for corporate separation between distribution and sales activities for distribution companies having more than 100,000 clients;
- provisions to ensure non-discriminatory access to metering data;
- provisions to ensure the supply of electricity by suitable sales companies, or distribution companies with less than 100,000 customers connected to their network, to Universal Service clients. For these

clients (residential clients and small business clients that have not opted for the free market), electricity supply is ensured by the Single Buyer (*i.e.* the largest wholesaler in the market). The standard conditions and reference prices for the service are determined by the ARERA; and

- a "Safeguarded Service" supplier, selected by tender, for clients not eligible for Universal Service.

The Law n. 124 of 4 August 2017, laying down the *Annual Law for the Market and Competition* has introduced various rules relating to energy markets, the most important of which determine the removal of the transitional regulation of the prices in the electricity sector (Universal Service) starting from 1 July 2019. This deadline was later postponed to 1 July 2020, and further, following the approval of Law 8 of 28 February 2020, postponed as follows:

a) to 1 January 2021 for the small enterprises. From this date, therefore, there is no price protection available for business with low voltage connection with fewer than 50 employees and an annual turnover of up to ten million euro in the electricity sector. For those who was without an electricity supplier at the time of the Universal Service, a Safeguarded service has been introduced, regulated by ARERA with gradual overcoming of price protection, named "Servizio a tutele graduali";

b) not earlier than 1 January 2023 (as further postponed following the approval of Law 21 of 26 February 2021) for micro-enterprises and domestic consumers, also taking into account the directive (EU) 2019/944. From this date, therefore, there will be no price protection available for business with low voltage connection ever than 10 employees and an annual turnover or balance sheet below €2 million and for domestic consumers. In this event, the overcoming of price protection through the introduction of a new Safeguarded service will be introduced in remarkably gradual ways, with modalities not yet defined.

The mentioned Law n. 124 of 4 August 2017 also introduced a series of measures to support further development on the retail markets. In particular, the ARERA created a web portal for the collection and publication of offers on the retail market, managed by the Acquirente Unico S.p.A. Finally, as established by the same Law, ARERA has a task of submitting a report on the monitoring of retail market to the Ministry of economic Development.

Natural gas regulation in Italy

Italian regulations enacted in May 2000 (Legislative Decree No. 164 of 23 May 2000, the "**Letta Decree"**) implementing EU directives on gas sector liberalisation (1998/30/EC) introduced competition into the Italian natural gas market through the liberalisation of the import, export, transport, dispatching, and sale of gas. The liberalisation process was successively strengthened by Directive 2003/55/EC and by Directive 2009/73/EC on natural gas internal market, comprised in the Third Energy Package as implemented in Italy by Legislative Decree 93/2011.

Pursuant to the Letta Decree, no single operator was allowed to import gas (for the purpose of selling such gas, directly or through subsidiaries, holding companies or companies controlled by the same holding company) in a quantity exceeding a specified percentage of the total domestic gas consumption, set at 75% in 2002 and decreasing by two percentage points each year thereafter, to 61% in 2010. At the same time, until that date, no single operator is allowed to hold a market share higher than 50% of domestic sales to final clients, directly or through subsidiaries, holding companies or companies controlled by the same holding company. Legislative Decree No. 130 of 23 April 2010 set new antitrust caps that prevent any single operator from introducing into Italy gas in a quantity exceeding 40% of domestic gas consumption. This cap may be lifted to 60% if the relevant operator invests in new storage capacity equal to at least 4 billion cubic metres.

Law No. 99/2009 foresees the constitution of a market exchange for the supply and sale of natural gas, managed by GME. GME organises and manages the natural gas market (the "**MGAS"**). In the MGAS, parties authorised to carry out transactions at the "*Punto Virtuale di Scambio*" may make spot purchases and

sales of natural gas quantities. In the MGAS, GME plays the role of central counterparty of the transactions concluded by market participants. The MGAS consists of a Day-Ahead Gas Market (MGP-GAS), an Intra-Day Gas Market (MI-GAS) and a Forward Gas Market (MT-GAS).

Transportation and dispatch

According to the Letta Decree, transporting and dispatching gas is considered an activity of public interest. Companies involved in these activities must guarantee access on a non-discriminatory basis to users who request it, provided that the connection works required are technically and economically feasible. Companies that carry out transport and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function, including modulation. These companies are also responsible for the strategic storage of gas under MED directives[3] and they must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies. From 1 January 2002, only operators that have no other activities in the gas production process, except for storage activities, may transport and dispatch gas. Even so, all such storage and transportation activities must be accounted for separately. Snam Rete Gas S.p.A. owns and operates approximately 93% of the Italian gas transport network.

Storage

Pursuant to the Letta Decree, as modified by Law Decree No. 179/2012, storage activities are conducted under concessions, granted by the MED, which have terms of 30 years and may be extended for one further ten-year period. Operators are required to provide storage services to third parties by public auctions. Allowed revenues for storage companies are granted through integration from *Cassa per i Servizi Energetici e Ambientali* (CSEA). ARERA regulates the storage tariff system establishing the criteria for the determination of tariffs for each regulatory period.

Distribution

The Letta Decree established that distribution activities must be exercised only by operators having won tenders for gas distribution concessions for periods not exceeding 12 years. Licensees of distribution networks are obliged to grant access to any third party that so requests on the basis of tariffs set by the ARERA and in compliance with its network code. The ARERA, in July 2004, adopted Resolution No. 138/2004 (as subsequently amended by many ARERA resolutions), which sets the criteria for access to distribution services and for the drafting of the network codes by distribution operators, introducing special measures for the operations of interconnection points between transportation and distribution networks.

The operation of the gas distribution service is regulated by a concession agreement which provides, *inter alia*, the rules for the operation of the service by the concessionaire, the obligations and rights of the concessionaires on the assets, the quality service targets, the economic terms and conditions, consequences in case of defaults, conditions for the termination of the concession, etc. Nevertheless, outgoing operators are still required to continue providing the service, within the limits of the ordinary administration, until the date of the new assignments.

Prior to the implementation of the reform of the gas distribution sector started with the Letta Decree, all gas distribution concessions were awarded by Municipal Authorities. Subsequently Article 46 *bis* of Law Decree 159/2007 introduced the principle that gas distribution services must be rendered within wider geographical areas and no longer at a municipal level.

A first decree (Ministerial Decree dated 19 January 2011) setting out the criteria for establishing the territorial jurisdictions was published on 31 March 2011 and a second decree (Ministerial Decree dated 18 October 2011) defining the composition of the so-called *Ambiti Territoriali Minimi* ("**ATEMs**") was published on 28 October 2011.

[3] Legislative Decree No. 93/2011 abolished the ratio imports/strategic storage = 10%.

On 12 November 2011, the MED adopted decree No. 226/2011 (subsequently updated by Ministerial Decree No. 106/2015), regulating the new tender procedure for the awarding of the distribution concessions within the ATEMs ("**Tenders Decree**"). According to Article 12 of the Tenders Decree, the selection is made by the evaluation of the combination of three parameters (economic conditions, security and quality criteria and network development plans). A specific score is assigned to each of the aforementioned parameters by a commission of five independent members, on the basis of the sub-criteria and specifications established in the call for bids.

The terms originally expected to begin and carry out the tenders, however, were subjected to numerous deferrals.

At the expiration of the old concessions, the plants should have been transferred to the Municipalities upon the payment of an indemnity in favour to the outgoing concessionaire. Such indemnity may be paid by the new concessionaire or by the Municipalities themselves.

In several cases, there are disputes (pending before Administrative and Ordinary Courts) between the parties regarding the quantification of the indemnity and the related assessment is assigned to an arbitrator panel. Regarding the investments held by the previous concessionaire on the plants transferred to the new concessionaire, based on Article 24, Paragraph 1, of Legislative Decree 93/2011, the new concessionaire is required to step in to the existing guarantees and financing obligations or, alternatively, to discharge them by paying to the previous concessionaire an amount equal to the repayment value (the "**Repayment Value**") of the plants transferred.

The Repayment Value is due to the previous concessionaire at the expiration of the concession and is equal, for the first round of tenders, to the residual industrial value, therefore to the value of reconstruction to new of the consistency of the plants at the time of their transfer, reduced by depreciation, including construction in progress, net of public and private contributions, as required by the Guidelines approved by the Ministerial Decree 22 May 2014.

As far as the tenders, to date only five ATEMs were awarded (Milan 1, Turin 2, Aosta, Belluno and Naples 1), but these last two tenders are currently contested. Moreover, new concessions have already been launched only for Turin 2 and Aosta.

As regards regulation acts, costs for providing distribution and metering services are covered by tariffs whose rules are set by the ARERA at the beginning of each tariff reference period (so called "**Regulatory Period"**) and updated on a yearly basis by applying defined mechanisms. Regulatory Periods usually have a duration of 6 years. Pursuant to Resolution No. 570/2019/R/gas (so called "**RTDG 2020-25**"), ARERA has defined the methodology for determining the distribution tariffs for the fifth regulatory period 2020-2025. Pursuant to Article 43 of the RTDG the national territory is divided into seven tariff areas each one having its own "tariffa obbligatoria", while for each operator ARERA approves the "tariffa di riferimento", determined in order to cover its own efficient costs, according specific regulation rules. Starting from 2016, the return on capital is defined by the new regulation adopted with Resolution No. 583/2015/R/com (so-called TIWACC) which was recently updated by Resolution No. 570/2019/R/gas in order to define the rate of return on capital until 2021, in the level of 6.3% (real pre-tax).

Sale

Sale of gas to end-users requires authorisation from the MED, which can only be refused on objective and non-discriminatory grounds. Starting from 1 January 2012, companies authorised to sell gas are included the specific list managed and published by the MED pursuant to Article 17 of Legislative Decree 164/2000.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, may sell gas. Law No. 99/2009 provides for the constitution of a market exchange for the supply and sale of natural gas and for the Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, to be designated as

manager of the natural gas exchange market. Law No. 99/2009 also establishes 'Last-Resort Service' provisions for residential clients. In this regard, the Single Buyer would be responsible for ensuring annual supplies up to 200,000 cubic metres to final residential clients.

Until 31 December 2002, only certain large consumers – gas eligible clients – were able to freely choose their suppliers of natural gas. During the same period, clients, mainly residential, who did not qualify as gas eligible clients, were obliged to purchase gas from distributors operating in their local area at a tariff set by the ARERA. Since 2003, all clients have been able to freely choose their suppliers of natural gas.

Law No. 99/2009 and the MED Decree dated 3 September 2009 transfer responsibility for selecting suppliers of last resort to the Single Buyer. Every year, the ARERA established the procedure for selecting suppliers of last resort for natural gas.

The Law n. 124 of 4 August 2017 has introduced also in the gas natural sector the removal of the transitional regulation of the prices starting from 1 July 2019. This deadline was later postponed to 1 July 2020, and further, following the approval of Law 8 of 28 February 2020, postponed to 1 January 2022 and at last postponed to 1 January 2023, due to the approval of Law 21 of 26 February 2021

Furthermore, ARERA updated the regulations for completing the pubic procedures for selecting last resort gas service (FUI) and default gas service (FDD) suppliers, effective as of 1 October 2018 (Resolution 407/2018/R/gas).

Biomethane

The Inter-Ministry Decree "Promotion of the use of biomethane and other advanced biofuels in the transport sector", approved on 2 March 2018, introduced incentive mechanisms that call for those producing biomethane injected into the natural gas network and used for transport within Italy to be given a number of biofuel consumption injection certificates ("**CIC**"), which value is of an amount equal to Euro 375.00 each. These incentives are applied to biomethane produced by plants that become functional within 31 December 2022, for up to 10 years as of the incentive's effective date and which have requested a qualification to the GSE. The CIC incentive mechanism operates as follows: the GSE publishes an estimate of the maximum annual amount to be withdrawn on the current year, expressed in CIC.

On the basis of such estimate the GSE elaborates a provisional ranking of the qualified plants in operation that require for the CIC withdrawal. The ranking position of the plants depends on the date of their entry into operation and on the number of CICS due to each plant, until the 90% of the estimate of the maximum amount to withdraw per year is reached. When the latter amount is reached the remaining plants are excluded from the provisional ranking. The producers of such plants are, however, entitled to the release of CICs by autonomously placing them on market at a negotiated price.

The aforementioned eligible plants excluded from the provisional ranking, may be eventually included in the following's year final ranking. The final ranking is drafted following the recalculation of the previous year's maximum annual amount to withdraw, on the basis of the amount of fossil fuels actually released during the year at reference by the ranked plants. Whether the maximum withdrawn amount has not been reached, the GSE provides for the withdrawal of further CICS for the plants previously excluded from the provisional ranking and which producers did not autonomously place the CICS on the market at a negotiated price, until the quantity indicated in the aforementioned final ranking is reached.

The decree also provides for existing biogas plants to be converted and produce biomethane, however, at one condition: that only 70% of the electricity produced continues to benefit from the current incentives. This condition, verified for 3 years, permits the conversion of 30% of the biogas to biomethane with the relevant incentive in CIC.

District heating service regulation in Italy

Legislative Decree No. 102/2014, implementing the EU Directive 2012/27/UE, has attributed the regulatory power for heating/cooling service to the national ARERA.

Within this contest, the ARERA also exercises control, inspection and sanctioning functions as provided for by the law establishing its jurisdiction, and exercises sanctioning powers.

As regards district heating regulations, with Resolution 24/2018/R/tlr, ARERA approved the "Comprehensive text for regulating criteria in defining fees for new connections and procedures for users to exercise the right of withdrawal for the regulatory period 2018-2020" (TUAR), which defines the criteria and procedures for establishing new connections to the network and exercising the right to deactivate supply and disconnect, for the period between 1 January 2018 and 31 December 2020.

With Resolution 661/2018/R/tlr, ARERA furthermore approved the Comprehensive text for regulating the commercial quality of district heating service (RQCT), effective from 1 July 2019 to 31 December 2021. Similarly, on other regulated sectors, mandatory general performance standards and other compulsory specific standards were introduced. Obligations require the operators to record the various phases along which a commercial quality request is processed and later implemented, as well as requirements calling for periodic reporting to ARERA.

With Resolution 548/2019/R/tlr, ARERA also approved the Comprehensive text for regulating the technical quality of district heating service (RQTT), effective from 1 January 202 1 to 31 December 2023. Obligations require the operators to record the various phases along which a technical quality request is processed and later implemented, as well as requirements calling for periodic reporting to ARERA.

With resolution 478/2020/R/tlr, ARERA also approved the Comprehensive text for regulating the metering of district heating service (TIMT), effective from 1 January 2022 to 31 December 2024.

Energy efficiency regulation in Italy

In Italy, the regulatory framework on energy efficiency is in force as from 2005 and was originally regulated by two Ministerial Decrees enacted in July 2004. Under energy efficiency regulation, electricity and gas distribution system operators (DSO) with more than 50.000 customers are required to achieve end-use energy efficiency targets, with reductions in primary energy consumption. Major updates to the regulatory framework came in 2012 when most responsibilities were shifted from ARERA to GSE, and in 2017 when the Ministry for Economic Development Decree extended targets and obligations through 2021, defining new criteria for eligible energy efficiency projects and introduced a cap price to the Tariff Contribution (the amount paid to DSOs as refund for participating the incentive system). More recently (May 2021) a new decree was issued by the Ministry of the Ecological Transition, increasing the number of eligible projects and establishing national targets and obligations for the period 2021-2024. Adjustment measures on targets and obligations have been introduced in case of relevant differences between expected and effective volumes of white certificates generated in the system. Also, a new incentive mechanism for energy efficiency based on auctions was mentioned and it is expected to be regulated by the end of 2021.

The above-mentioned Ministerial Decrees provided that distributors who are required to achieve energy saving must deliver GSE a quantity of the so-called "energy efficiency certificates" ("**TEE**") or "white certificates" equal to their energy saving obligation. The energy efficiency certificates, of a unit value of 1 TOE, are issued by GSE in favour of the distribution system operators, their subsidiaries and also in favour of ESCOs, energy service companies certified to the UNI EN 11352 standard. Since 2017, also companies who nominate a EGE (Expert in Energy Management) certified to the UNI 11339 standard or having their Energy Management System certified to the ISO 50001 standard can access the white certificate scheme.

Eligible projects include measures aimed at reducing the quantity of primary energy required to meet the customers' energy demand or to reduce energy consumption. If one DSO cannot originate enough TEE for

its obligation, it may purchase the remaining energy efficiency certificates on the market. Also, DSOs can delay for no longer than two years the delivery of TEE, up to 40% of their obligation.

Considering TEE market shortage since 2017, in 2018 the MED enabled DSOs to ask GSE for so called "virtual TEE", only if they collected at least 30% of their minimum obligation achievement. This allowance was confirmed by the May 2021 decree, and the minimum obligation achievement necessary to access to the virtual TEE has been diminished up to 20%.

The methods for assessing the energy saving achieved by the individual measures implemented are now included in the guidelines issued by the MED in 2017 and in May 2019 (Operator's guide prepared by GSE). Updated operational guidelines are expected within 2022.

It should be also noted that on 5 September 2011, the MED issued a decree providing for a special incentive regime for Combined Heat and Power ("**CHP**"). Such incentives (granted for a 10-year period or for a 15-year period if CHP comes with district heating) cannot be aggregated with regular energy efficiency certificates (as defined by the MED Decrees mentioned above). Such Decree was partially amended by the Decree dated 8 August 2012, which modified the definition of "reconstruction" provided therein, but was not modified afterwards and is still fully in force.

Energy Efficiency Directive No. 2012/27/EU was implemented in Italy by Legislative Decree No. 102/2014 and amended in 2020 by Legislative Decree No. 73/2020 in accordance with Italian National Climate and Energy Plan, it expects the "white certificate" scheme to have a key role in achieving 2030 national energy saving target.

ETS regulation

With specific reference to emissions trading and, particularly, in relation to CO2 emissions, both the European Union and Italy are committed through the Intended National Determined Contributions (INDCs) under the Paris Agreement, outlining their post-2020 climate actions, to the reduction of greenhouse gases emissions, also in the context of the United Nations Framework Convention on Climate Change ("UNFCCC").

The European Union Emissions Trading System ("EU ETS") has constituted the key climate policy instrument in the EU. Building upon the principle of cap and trade, it limits the emission of greenhouse gases in major emitting sectors such as power generation, refineries and energy-intensive industry, covering around 45% of the EU's total greenhouse gas emissions. Installations covered by the system are obliged to provide allowances for their annual emissions. To achieve emission reductions at the lowest possible costs, firms are authorized to trade emission allowances (so-called EU allowances, "**EUAs**") with each other.

A revision of the EU ETS was adopted in 2018, applying to the Phase IV of the regulation starting in 2021 and ending in 2030, which introduces a number of changes in order to ensure that the system will remain "fit for purpose" with regard to the climate goals. Among the amended rules, it is important to stress the new methodology to allocate free EUAs to the installations, that will be greatly reduced and more accurately determined. This new methodology allows the system to keep up the incentive to reduce emissions when comparing abatement costs and the market price for EUAs, when not exempted from the costs through the free allocation. The revised EU ETS Directive was transposed in the Italian legislation **through Legislative Decree n. 47 of June 9, 2020**.

Recently, the European Commission has presented its plan to reduce EU greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels; an increase from the previous 40% reduction target. This level of ambition for the next decade will put the EU on a balanced pathway to reaching climate neutrality by 2050. More specifically, the Commission tabled an amendment to the proposed European Climate Law, to include the 2030 emissions reduction target of at least 55% as a stepping stone to the 2050 climate neutrality

goal; invited the EU Parliament and EU Council to confirm this 55% target as the EU's new Nationally Determined Contribution under the Paris Agreement, and to submit this to the UNFCCC by the end of 2020; set out the legislative proposals to implement the new target, including, among the others, revising and expanding the EU Emissions Trading System.

On 14 July 2021, the Commission released the "Fit for 55" package, aiming to revise the entire EU 2030 climate and energy framework. More specifically a proposed Directive to amend the EU Emissions Trading System (ETS) Directive (Directive 2003/87/EC), the Market Stability Reserve (MSR) Decision (Decision (EU) 2015/1814) and the MRV Regulation (Regulation 2015/757) has been published. The revision of the EU Emissions Trading System turns out to be one of the top priority areas in the EU's decarbonization agenda, introducing major changes to the existing framework such as:

- a one-off reduction to the cap and an increase of the linear reduction factor to 4,2% (from previous 2,2%);
- the inclusion of the maritime sector into the EU ETS' scope (from 2023 onwards);
- a separate ETS for buildings and road transport;
- a faster phase down of free allocation which will be tied to low-carbon investment;
- a Carbon Border Adjustment Mechanism (CBAM) that prices imported goods based on their embedded
- emissions (to become fully operational by 2026);
- new regulations about revenue use and the creation of the Social Climate Fund.

Regulation applicable to the supply of public services in Italy

The supply of local public services in Italy has been regulated through several provisions. Almost all such provisions have been repealed after a referendum held on 12 and 13 June 2011.

As of today (following the referendum, the re-introduction of provisions analogous to those repealed by the Referendum and the consequent repeal of such new provisions by the Constitutional Court with judgement No. 199/2012) public services shall be awarded according to European Law principles. Therefore, local authorities can arrange public services through: (i) third parties selected by public procurement procedures and (ii) by direct or *in-house* provision, whenever the market is unable to meet the needs of the community and make use of entities fully controlled by the local authority and exclusively engaged in the relevant activity. More precisely, according to European Union law, there are three accepted forms of public services awards (which, in fact, are almost the same as originally provided for in Decree No. 267/2000):

(a) public tender for the selection of public service providers;

(b) direct granting of public services to a public private partnership (PPP), a cooperative venture between public authorities and private enterprise, where private partner is chosen by a public tender procedure;

(c) the so called *in house providing*, which is direct granting of public services to fully-public companies on the following conditions: (i) companies are 100% controlled by the awarding public entities, which shall exercise a control of similar content to that exercised over their own departments (*i.e.* "*controllo analogo*"); and (ii) companies shall provide their main activity in favour of the awarding public entities (*i.e.* "*attività prevalente*").

Competitors allowed to enter into such procurement procedures and entitled to become public services managers, are:

(3) **private operators**, who may be selected to operate the service through a public tender procedure aimed at entrusting the whole public service; in this case, private operators take the form of joint-stock companies and are incorporated under Italian law;

(4) **private operators**, who can also be in charge of the management of the service by purchasing shares in a public company and becoming a private partner of the latter. Even in this case, the alienation of the shares will take place through public tenders (whereas the service will be granted directly to the public/private enterprise set up once the private partner has been chosen through a public tender); in this regard, private operators in the procurement procedure must demonstrate their economic and financial standing, their suitability to pursue the professional activity in question and their technical and/or professional ability; actually, the percentage share of the company to be granted through public tender is established at discretion of the Public Administration. Nevertheless, and although the Italian legislation on mixed public/private enterprise has been repealed, it is believed that the private partner should still have operational, as well as economic capacity in light of EU legislation;

(5) **public companies**, wholly owned by public entities can be granted public services through the *in-house providing*. This procedure excludes private operators and competitors.

On 20 October 2012 entered into force Law Decree No. 179/2012 which, however, does not apply to (i) gas distribution; (ii) distribution of electricity and (iii) municipal pharmacies, but includes, by way of example, water and waste services. However, the terms of effectiveness of the competitiveness measures contained in the Legislative Decree No. 179/2012 have been postponed until 31 December 2016, by means of the Law Decree No. 210/2015, converted into Law No. 21/2016.

On August 2015, the Law 124/2015 "Delegations to the Government concerning the reorganization of public administrations", better known as the so-called Madia Reform was approved. The provision contains 14 important legislative delegations: public employment, reorganization of central and peripheral state administration, digitalization of the Public Administration, simplification of administrative procedures, rationalization and control of investee companies, anti-corruption and transparency. One must note the implementing decree of 19 August 2016, n. 175 (*Testo Unico in materia di società a partecipazione pubblica*), that resulted from the changes made by the corrective decree 16th June 2017, n.100; in summarizing the numerous provisions in force on the subject up to now in an sole Act, it redesigns the discipline to reducing and rationalizing the public private partnership and the in-house providing, having also regard to an efficient management of the participations themselves and to the containment of public expenditure.

Integrated water service regulation in Italy

Water service governance

With specific reference to the integrated water service, the Environmental Code provides for the following principles for the regulation of the management of the integrated water service system in Italy:

(a) water services are provided by means of a sole integrated system for the management of the entire cycle of water resources ("**Integrated Water Service**" or "**IWS**"), including the abstraction, transportation and distribution of water for non-industrial purposes, sewerage, wastewater treatment and purification of drinking water;

(a) the identification by the Italian Regions and within each of them, of Optimal Territorial District ("**ATOs**"), within which IWS is to be managed. The boundaries of ATOs were defined on the basis of consistency with hydrological conditions and logistical considerations, the goal of achieving industry consolidation and the potential for economies of scale and operational efficiencies;

(b) the institution of a water district authority for each ATO (*Autorità di Ambito Territoriale Ottimale*), now repealed by Law No. 191 of 26 March 2009 (Article 2, paragraph 186 bis) and replaced by Local Water Authorities, to be identified by means of Regional Law, responsible for organizing integrated water services, by means of an integrated water district plan (*Piano d'Ambito*) which, inter alia, sets out an investments policy and the management plan referred to the relevant district, identifying and overseeing an operator for IWS ("**Water District Operator**"), determining the tariffs for IWS and

monitoring and supervising the service and the activities carried out by the selected operator, in order to ensure the correct application of the tariffs and the achievement of the objectives and quality levels set out in the district plan.

The organisation of integrated water service relies on a clear distinction in the division of tasks among the various governing bodies:

- the State and Regional Authorities carry out general planning activities and define guidelines. In particular, environmental quality (i.e. quality of water, aquatic ecosystems, degradation of productive land, etc.) is monitored by the Ministry of Environment.
- Local Water Authorities supervise, organise and control the IWS but these activities are managed and operated on a day-to-day basis by (public or private) IWS operators.
- Finally, Article 21 of the Law Decree No. 201 of 6 December 2011 (converted into Law No. 214 of 22 December 2011) has assigned several functions for the regulation and the control on the supply of IWS to the AEEGSI, The Italian Regulatory Authority for Electricity Gas and Water , now called Italian Regulatory Authority for Energy, Networks and Environment (ARERA), in particular concerning the implementation of a new national tariff method, of the minimum quality standards and the rules for the operators-clients relationship.

Concerning the selection of IWS operator, pursuant to the Environmental Code, the award of the management of the IWS is made in favour of the Water District Operator selected for each ATO by Local Water Authority. In particular, according to European legislation Local Water Authorities can arrange IWS through three principal procedure: (i) third parties selected by public procurement procedures (ii) by direct or *in-house* provision, whenever the market is unable to meet the needs of the community and make use of entities fully controlled by the local authority and mainly engaged in the relevant activity (iii) by public-private partnership where private partner is selected by a procurement procedure. Pursuant to Law No. 221 of 17 December 2012, Local water Authority have to publish a Report on the chosen procedure for the award of the service within which European conditions subsistence must be stated.

The contractual relationship between the Local Water Authorities and the Water District Operator is regulated by *ad hoc* agreements (*convenzioni di gestione*) which shall, in particular, provide for:

- the legal regime chosen for the management of the service;
- the term of the contract, which must not exceed 30 years;
- the obligation for the operator to return the assets assigned to it at the end of the contractual term;
- the standards, in terms of quality of the service and financial performance, that the operator is required to guarantee, as well as the criteria to be applied to monitor such performance;
- the applicable penalties and the causes of termination pursuant to the Italian Civil Code;
- the criteria and the methods for the application of tariffs determined by the Local Water Authority;
- the obligation to execute an appropriate financial guarantee.

The Local Water Authority is responsible for preparing the draft agreement on the basis of a "sample agreement" adopted by the regional governments.

Water service regulation

The tariff is calculated to ensure a full cost recovery. On this main fundamental European principle ARERA established a new water tariff methodology on December 2013 (Resolution 643/2013/R/idr) by ensuring a more stable legal environment and increasing investments. This first new tariff method applied for the 1st

regulatory period (2012-2015) consisted in setting a revenues limit with respect to the sum of 5 components defined by ARERA:

- Capital expenditures cost (the methodology covers costs of investment through ex-post regulation, referring only to costs of investment that were actually realized);
- Operating costs;
- Environmental and resource costs;
- Additional component for supporting specific investment needs;
- Component to balance the revenues limit for the operator from previous years.

The competent local authority had the task to select one between the four "regulatory schemes" allowed by the ARERA in the tariff method and asked for ARERA's approval.

On 1st January 2016 entered into force the second regulatory period water tariff method (Resolution 664/2015/R/idr) applied to the period 2016-2019. With this Resolution ARERA intends to continue the started development path of the sector through a stable and certain regulation, raising the service standards and the social and environmental sustainability of supply while respecting cost-effectiveness, efficiency and economic and financial balance in management. To ensure continuity, the "Water Tariff Method -2" was based on an asymmetric regulation able to adapt to the different needs of a sector which is highly differentiated at local level and in the governance. The tariff regulation applicable in the second regulatory period is therefore attributable to an array of regulatory frameworks (compared to the previous tariff method, there is a wider range of different types of tariff schemes, 6 as compared to previous 4) within which each jurisdiction subject will identify the most effective solution to suit their needs.

Finally, with Resolution 580/2019/R/IDR of 27th December 2019, ARERA approved the current **Third Water Tariff Method (MTI-3)** for the regulatory period 2020-2023, maintaining stability and certainty, and evolving regulation in line with the rules introduced in 2012. The four-year duration of the regulatory period has been confirmed, with an update being provided every two years, as well as the possibility for an anticipated review, if so requested by the Local Water Authority, certifying the extraordinary nature of events that may affect the economic-financial balance of management activities. The new method combines elements that remain unchanged with respect to the previous period and innovative aspects. The new method indeed confirms the structure of a guaranteed revenue and an upper limit on annual increases in tariffs, differentiated according to the specific characteristics of each Water Manager (so-called "asymmetrical" regulation). From the point of view of the cost of capital, a gradual decrease is foreseen in remuneration for a few specific ongoing works (with the exception of those defined as strategic). The rate covering financial and fiscal charges is instead essentially the same as in the previous regulatory period (5.24%). From the point of view of the operating costs, for the first time the method introduces a new efficient control system, to pursuing the efficiency of operating costs and management. Note furthermore the introduction of significant incentives going towards interventions intended to promote energy efficiency and environmental sustainability, for example promoting the recovery of materials and energy from sludge treatment. For the costs linked to arrearage, the unpaid amount of sales volumes recorded in a given year is expected to be recognised ("unpaid ratio" at 24 months).

With reference to the quality of the services, as of 2020 the bonuses and penalties involved in promoting technical service quality will be quantified, as will, as of 2022, bonuses and penalties for contract quality, established by the new national mechanism described in resolution 547/2019. This resolution modified the resolution 655/2015/R/idr which ARERA had introduced minimal *contractual* quality standards, which are homogeneous throughout the national territory. The new *technical* quality regulation had already been

adopted with Resolution 917/2017/R/idr asked operators and local authorities to review the investment plans to pursue new challenging annual objectives.

During the pandemic crisis, with Resolution 235/2020/R/idr ARERA has taken several regulatory measures to support companies as well as the economic interest of regulated water operators. These interventions have tried to reconcile the immediate protection of the interests most directly affected by the pandemic crisis with the long-term objectives of regulated sectors.

Furthermore, at the end of 2019, ARERA started to authorize the disbursement of funds for some water supply interventions included in the *National Water Sector Interventions Plan*. This Plan was introduced in the 2018 Budget Law to improve national water infrastructures.

Finally, it should be noted the regulation already completed. With the goal of reducing arrearage, Resolution of 16 July 2019 311/2019/R/idr was aimed at unifying water managers' debt collection processes nationwide. It regulates procedures and timing for the formal notice and the suspension or limitation of the supply for end users, however protecting vulnerable users. On 1st January 2018 a new organization of water service charges structure for users came into effect for all local areas, based on criteria that are uniform nationwide and defined by ARERA Resolution 665/2017/R/idr. Furthermore, as regards resident household customers undergoing economic and social hardship, resolution 897/17/R/idr introduce a new water social tariff (national water "bonus") that came into force in 2018, whose conditions for access are similar to those provided for social energy tariff (gas and electricity "bonus"). Furthermore, some Local Water Authority introduced an additional social water "bonus", financed by an extra local tariff component. Another important aspect in economic regulation of water sector is represented by the obligation to unbundle accounts. The unbundling regulation aims to identify in greater detail the costs of the individual services that form the integrated water service, in order to obtain a better definition of a "cost reflective" tariff. In the end, one must note the Resolution 656/2015/R/idr for a uniform regulation of the standard agreement, to regulate relations between the awarding bodies and operators.

Integrated waste cycle regulation in Italy

Governance and regulatory framework

The rules regarding municipal waste management are today provided by the Environmental Code and are based on the following key principles:

- wastes are classified according to their origin (as municipal/urban waste and its assimilated or special waste) and their dangerousness (hazardous waste and non-hazardous waste); recently, Legislative Decree 116/20 (implementing Directive 2018/851 / EU and Directive 2018/852 / EU) has introduced, among other things, changes to the regulation of urban waste and its assimilated; in particular, the qualification of "urban" that is no longer attributed by virtue of an assimilation governed by the Municipalities, but deriving from characteristics of the waste, and more precisely from their nature and composition and from the activity of origin; moreover, it has been established that non-domestic users can deliver their urban waste outside the public service after demonstrating that it has been sent for recovery by means of a certificate issued by the person carrying out the waste recovery activity;
- each region shall be divided into ATOs and a Waste District Authority will be established for each ATO (*Autorità di Ambito Territoriale Ottimale*), which, as for water services, has now been repealed, pursuant to Law No. 191 of 26 March 2009 (Article 2, paragraph 186 *bis*), by a Local Waste Authority, to be identified by means of regional Law. Such Authority is responsible for organising, awarding and supervising integrated urban waste management services (collection, transport, recycling and disposal of municipal waste);

- the Local Waste Authority shall draft a district plan, in accordance with the criteria set out by the relevant regional government;
- the municipalities' responsibilities relating to integrated waste management will be transferred to the Local Waste Authorities (nevertheless, pursuant to Articles 198 and 204 of the Environmental Code, pending the establishment of the ATO and the awarding of the new tenders by the Local Waste Authorities, municipalities will retain the power to manage urban waste management service);
- a phasing-out of landfills as a disposal system for waste materials;
- the order of priority of the procedures through which waste can be managed will be the following: (i) preparation for reuse; (ii) recycling; (iii) recovery, including energy generation; and (iv) disposal; and
- simplifying administrative procedures by means the introduction of a single authorisation for the construction and operation of waste storage, treatment, landfill and incineration plants as well as general waste management.

According to article 202 of the Environmental Code, municipal waste management services consist of collection, transport and recycling of municipal waste, and may even include the disposal activity. The inclusion of the disposal activities in the municipal waste management services is conditional upon the decision of the Local Waste Authority to include in the municipal waste management service also the construction and operation of the relevant disposal plants. Should the disposal plants not be in the ownership of the Public Entities, the owner shall ensure to the concessionaire of the municipal waste management services the access to the disposal plant.

Under the Environmental Code, companies producing waste are responsible and chargeable for waste storing, transportation, recycling and disposal.

Also, with respect to waste management, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning waste disposal have been introduced within Decree 231.

Italian Law No. 205 of 27 December 2017 allocated the ARERA's regulatory and control functions over the waste cycle, including sorted, municipal and related waste. Also in this field, the responsibilities attributed are performed with the same powers and within scope of the principles, purposes and assignments provided for by Italian Law No. 481/1995.

The first resolution 1/2018/A, provided for the implementation of all the functional activities required for the initial operations under these new responsibilities, in terms of managed changes, of a preliminary survey of the factual state of the sector and the segmentation of the individual waste cycle activities.

ARERA, in October 2019, carried on his mandate with **resolution 443/2019/ R/rif** that approved the first ***Waste Tariff Method (MTR) for the period 2018- 2021***, in compliance with the multi-level institutional structure that characterizes the waste sector and in respect of asymmetry, in consideration of the specific elements of the different territorial contexts.

The regulatory tariff act of the Authority is to be considered as the first step towards the definition of a regulation on tariff revenues and the resulting articulation of the tariffs applied to users of the service, and incorporates some first elements of transparency and efficiency. This first tariff act regulated operators active in waste collection and operators active in both waste collection and treatment and disposal services, but excludes operators active in only treatment and disposal services, for which ARERA defined a specific regulatory act. Precisely, in August 2021, with resolution 363/2021/R/rif, ARERA defined the criteria for recognizing efficient operating and investment costs for the period 2022-2025, adopting the Waste Tariff Method (MTR-2). This act updates the resolution 443/2019/R/rif and introduces a national criteria for the determination of tariffs of the treatment plants.

Tariff method regulates revenues on the basis of cost data certain and verifiable from financial statements, although the annual dynamics for their definition are subject to a growth limit. For concerning operators active in both waste collection and treatment and disposal service the limit is determined on the basis of the inflation rate and an efficiency factor, as well as on the basis of improvements in the quality of the service and/or the extent of the management perimeter. With regard to operators active in only treatment and disposal services, this limit is equal to planned inflation and is enhanced by a factor that can be uplifted by up to 4% and which takes into account the technological and environmental characteristics of the plant. The limit to the growth of the tariff factor does not include the application of an efficiency recovery. The tariff trend is differentiated according to the origin of the waste treated from areas close to or from areas not close to the plant, to the benefit of the communities in areas adjacent to the plant (even with the complete discharge of the tariff increases on the communities falling in areas not adjacent to the plant).

In accordance to the community hierarchy of waste treatment, the tariff method provides environmental contributions (positive or negative) destined for collection companies, based on the type of plant of destination of the waste conferred, in order to stimulate the quality of collection and development of material and energy recovery systems. In particular, the system provides:

1) incentives in favor of those who consign to composting / anaerobic digestion plants, introducing an environmental component to partially offset the fees due;

2) limited incentives in favor of those who confer to incineration plants with energy recovery, introducing an environmental component to partially offset the fees due;

3) disincentives for those who deliver to landfills or incineration plants without energy recovery, by introducing an environmental component as an increase in the fees due;

4) incentives or disincentives for those who confer to mechanical and/ or biological treatment (TM/TMB) according to the destination plants of the waste streams leaving the TM/TMB.

To complete the mechanism, ARERA defined a national equalization system which ensures the coverage of efficient costs for the management of the plants and neutralizes the effect of tariff increases / reductions given by the incentive system.

The types of plants subject to the national tariff regulation of Arera will be defined by the Regions as part of the sectoral planning, under the rules defined by Arera that provide:

1) the exclusion of recycling plants of the so-called fraction dry, intended for material recovery (glass, paper, plastic, metal, wood, etc.)

2) the inclusion of all integrated managers (managers who internalize both collection and processing assets in a single legal company, already falling under MTR1)

3) the inclusion, if they fall within the concept of "minimum cycle closing systems", of the following plants:

   - composting and anaerobic digestion plants
   - incineration plants with energy recovery (R1)
   - incineration plants without energy recovery and landfills (D1)

4) As regards the intermediate treatment plants (TM and TMB), the Authority is aimed at defining a tariff regulation that takes into account the outgoing flows from them and, therefore, according to whether these flows are directed towards recycling chains , incineration plants with energy recovery, landfills or incineration plants without energy recovery;

The principles underlying the identification of the "minimum" cycle closure plants subject to the national regulation, are identified with the treatment plants that:

- offer capacity in a market with structural rigidity, characterized by a strong and stable excess of demand and by a limited number of operators;

or, in addition to the provisions of the previous paragraph, they satisfy the following alternative conditions:

- have already been identified, by competent subjects, in the planning stage, at closing the waste management cycle;
- have a committed capacity for flows guaranteed by programming tools or other administrative acts

If they do not fall within these cases, the plants will not be subject to tariff regulation (and, therefore, left to the free action of the market) and will be subject to transparency obligations on the access conditions (so-called "additional cycle closing plants").

For concerning return for capital expenditure, ARERA indicates that the parameters to calculate the allowed return, will be dealt in a next dedicated document, within the end of the current year. At this respect, ARERA indicates that, for the activities that follow a WACC-based remuneration, intends to differentiate the different level of riskiness by activities.

Particular attention is reserved to circular economy target (and related infrastructural adaptation), pursued through the sharing, between managers and users, of economic benefits deriving from the improvement of materials and energy obtainable from recovery operations, the extent of which is selectable by the competent bodies within a range defined by ARERA. Tariffs are validated by the local competent bodies and finally approved by ARERA. These approval processes are currently in progress.

For concerning **quality**, art. 1, paragraph 527, of Law no. 205/2017 attributes to ARERA regulatory and control functions in the quality of the integrated urban and similar waste management service, in order to *"guarantee accessibility, homogeneous usability and diffusion all over the country, as well as adequate levels of quality in conditions of efficiency and cost-effectiveness of management, harmonizing the economic-financial objectives with the general ones social, environmental and appropriate use of resources (…)"*.

In compliance with these functions, ARERA, in October 2019, with the **resolution 444/2019 /R/rif**, approved the ***Integrated Text on transparency in the waste management service (TITR)*****,** containing the first provisions on transparency of the municipal and similar waste management service for the period of regulation **1 April 2020 - 31 December 2023**. In particular, ARERA considered a priority to protect users by defining the minimum information relating to the integrated management service of urban and similar waste and individual services that compose it: collection and transport and street sweeping and washing . Particular attention is given to information content of the bills and other individual communication tools on the characteristics of the service, according to criteria of clarity and simplification, in order to promote user awareness and promote their behavior virtuous.

In the next coming years ARERA will focus its regulation on **technical and commercial quality of service**: in particular, in February 2021, with the resolution **72/2021/R/rif** opened a public consultation on ***First guidelines for regulating the quality of the urban and similar waste management service*** that***,*** within the current year, is expected to be definitely approved and entering into force from 2022. This resolution aims to converge towards homogeneous levels of service on a nation scale, by regulating contractual quality (complaints, contact points, bulky collection) and first elements of technical quality (continuity and regularity of the service). Further on, approximately from 2023, ARERA will complete the regulation of technical quality regulation (health and environmental protection of the service, e.g. collection frequency, RD quality) and, probably, will introduce performance incentive mechanisms (bonuses / penalties).

Another area that is expected to be soon reformed and standardized by ARERA is the **Service Contract**, as an instrument for regulating the relationships between the local authority that owns the service and the provider of the same. In particular ARERA, with resolution **362/2020/R/rif,** approved the procedure to define a **standard Contract layouts** that is considered to be functional to handle the extreme territorial inhomogeneity and the lack of transparency tools towards users.

In the next years ARERA is expected to regulate many other items in accordance with his function, as well as defining accounting unbundling rules, to strengthen costs efficiency and transparency of ***waste management service.***

Site Remediation

In Italy the Environmental Code sets out the legal framework on remediation of contaminated sites. The regulation envisages three kinds of liabilities burdening the responsible person/entity of a polluting or pollution-risk event: (i) civil liability, (ii) obligations towards public authorities and (iii) criminal liability.

Pursuant to the Environmental Code, the polluter (and also the owner of the site) has the duty to immediately notify the competent authorities of a polluting or pollution-risk event and to adopt spontaneously a number of measures within the deadlines established by law, in order to prevent further consequences of the contamination event. On the other hand, the owner of the site has no direct duties of remediation and clean-up.

In the event the polluter does not carry out the clean-up and remediation works, the competent authorities can directly take care of the same. However, when such authorities perform directly clean-up and remediation works, the same shall identify the polluter and manage to recover by the same the costs borne for the clean-up. Should the polluter not be identified or being insolvent, the competent authorities shall adopt a resolution which has the effect of imposing on the relevant property a so called *onere reale*: i.e., an obligation propter rem which obliges whatever owner of the land to repay the cost borne by the competent authorities to carry out the clean-up and remediation works. For this reason, the *onere reale* is recorded on the cadastral register and can be enforced against any party purchasing the land. In order to avoid the imposition of the *onere reale*, the owner of a polluted site might be interested in carrying out directly the relevant works.

The Environmental Code introduces real threshold concentration values for contamination (CSC). If these values are exceeded, it is mandatory to proceed with further investigations, performing a site characterisation and a site-specific risk assessment. If the risk assessment reveals the absence of unacceptable risk, the site is declared "not contaminated"; however, in such cases, a monitoring programme may be required. Environmental Code requires a risk assessment if analytical results, collected during the preliminary investigation, exceed the contamination threshold values (CSC). In August 2011, through Legislative Decree No. 121/2011, certain crimes connected to the execution of remediation activities have been included in Legislative Decree No. 231/2001 ("**Decree 231**")[4]. More recently a further crime related to omitted remediation of contaminated sites has been added to the criminal code by means of Law No. 68/2015.

Air pollution

The "Environmental Code" also provides for a regulatory framework concerning the air emission and the relevant measures aimed at reducing the air pollution. The breach of the set of rules provided for the

[4] Decree 231 provides that a company is responsible for certain offences (not only crimes) committed by its executives, directors, agents and/or employees in the interest or to the benefit of that company. The list of offences has been steadily increasing along the years and now covers, inter alia, health and safety, environment, computer crimes, etc. To avoid (or reduce) its responsibility, the company may adopt a set of rules and procedures aimed at preventing offences. Such set of rules and procedures is commonly referred to in Italy as Model 231. The company must take action to implement its Model 231 and supervise compliance with it. The distinctive features of a Model 231 are: (i) the identification of the business areas/operations which are considered "at risk" (where an offence could be committed); (ii) the adoption of adequate rules to prevent those risks; (iii) the appointment of a corporate body that will supervise compliance, collect information (also on the basis of anonymous notifications by employees/agents) and suggest updating ("Compliance Officer"); and (iv) a disciplinary system to sanction the breaches ("Disciplinary System").

Environmental Code and regarding the air pollution reduction may entail administrative and criminal sanctions.

In August 2011, certain crimes connected to the exceeding of the air emission limits (set forth by the Environmental Code or by the relevant air emission authorisation) have been included in Decree 231. The above-mentioned Law No. 68/2015 added the crimes of environmental pollution and environmental disaster to punish breaches of the set of rules regarding air pollution.

TAXATION

ITALIAN TAXATION

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes. They apply to a holder of Notes only if such holder purchases its Notes in this offering.

This is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a Noteholder if such Noteholder is subject to special circumstances or if such Noteholder is subject to special treatment under applicable law.

This overview also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Base Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this overview. This overview also assumes that each transaction with respect to the Notes is at arm's length.

Where in this overview, English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this overview to reflect changes in laws and if such a change occurs the information in this overview could become invalid.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Interest on the Notes

Notes qualifying as bonds or securities similar to bonds

Legislative Decree No. 239 of 1 April 1996, as amended, ("**Decree 239**") regulates the income tax treatment of interest, premium and other income (including any difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") from notes issued, *inter alia*, by Italian resident companies listed in an Italian regulated market, falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*).

Pursuant to Article 44, paragraph 2, letter (c) of the Presidential Decree No. 917 of 22 December 1986 (the "**Italian Tax Code**" or the "**ITC**"), as amended and supplemented from time to time, the Notes qualify as "securities similar to bonds" for Italian tax purposes if they incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and that do not allow any direct or indirect participation either in the management of the issuer or in the business in connection with which they have been issued, nor any control on such management.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in a business activity to which the Notes are effectively connected (unless he has opted for the application of the "*risparmio gestito*" regime – see "Capital Gain Tax" below), (ii) a non-commercial partnership, pursuant to Article 5 of the ITC (with the

exception of general partnership, a limited partnership and similar entities), (iii) a non-commercial private or public institution or trust, or (iv) an entity exempt from Italian corporate income taxation, Interest payments relating to the Notes, accrued during the relevant holding period, are subject to a substitutive tax, referred to as ***imposta sostitutiva***, levied at the rate of 26% (either when the Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). In the event that the Noteholders described under (i) to (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

The *imposta sostitutiva* may not be recovered by the Noteholder as a deduction from the income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509/1994 and Legislative Decree No. 103/1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine)* that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**"), as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020), in Article 1 (211-215) of Law No. 145 of 30 December 2018, as subsequently amended and supplemented (the "**Finance Act 2019**"), or Article 13-*bis* of Law Decree No. 124 of 26 October 2019, converted into Law No. 157 of 19 December 2019, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020) (the "**Fiscal Decree Linked to the Finance Act 2020**").

If the Notes are held by an investor engaged in a business activity and are effectively connected with the same business activity, the Interest is subject to the *imposta sostitutiva* and is included in the relevant income tax return. As a consequence, the Interest is subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to the Decree 239, *imposta sostitutiva* is levied by banks, *società di intermediazione mobiliare* ("**SIMs**"), *società di gestione del risparmio* ("**SGRs**"), fiduciary companies, stock exchange agents and other entities identified by the relevant Decrees of the Ministry of Economy and Finance, as subsequently amended and integrated (the "**Intermediaries**").

An Intermediary, to be entitled to apply the *imposta sostitutiva*, must satisfy the following conditions:

(i) it must be: (a) resident in Italy; or (b) a permanent establishment in Italy of an intermediary resident outside of Italy; or (c) an organisation or company non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Economy and Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree 239; and

(ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of the Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder. If Interest on the Notes is not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident Noteholders listed above under (i) to (iv) will be required to include Interest in their annual income tax return and subject them to a final substitute tax at a rate of 26%.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called

discretionary investment portfolio regime ("**Risparmio Gestito**" regime as defined and described in "*Capital Gains*", below). In such a case, Interest is not subject to *imposta sostitutiva* but contributes to determine the annual net accrued result of the portfolio, which is subject to an ad-hoc substitutive tax of 26% on the results.

The *imposta sostitutiva* also does not apply to the following subjects, to the extent that the Notes and the relevant coupons are deposited in a timely manner, directly or indirectly, with an Intermediary:

(A) *Corporate investors*

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), Interest accrued on the Notes must be included in: (I) the relevant Noteholder's yearly taxable income for the purposes of corporate income tax ("**IRES**"), generally applying at the current ordinary rate of 24%; and (II) in certain circumstances, depending on the status of the Noteholder, also in its net value of production for the purposes of regional tax on productive activities ("**IRAP**"), generally applying at the rate of 3.9% (certain categories of taxpayers, including banks, financial entities and insurance companies, are subject to higher IRAP rates). The IRAP rate can be increased by regional laws up to 0.92%. Said Interest is therefore subject to general Italian corporate taxation according to the ordinary rules;

(B) *Investment funds*

Interest paid to Italian investment funds (including a *Fondo Comune d'Investimento*, a SICAV, a SICAF, other than a Real Estate SICAF, as defined below, collectively, the "**Funds**") are subject neither to the *imposta sostitutiva* nor to any other income tax in the hands of the Funds. Proceeds paid by the Funds to their unitholders are generally subject to a 26% withholding tax;

(C) *Pension funds*

Pension funds (subject to the tax regime set forth by Article 17 of Legislative Decree No. 252 of 5 December 2005, the "**Pension Funds**") are subject to a 20% substitutive tax on their annual net accrued result. Interest on the Notes is included in the calculation of such annual net accrued result. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020), in Article 1 (211-215) of the Finance Act 2019, as subsequently amended and supplemented, or Article 13-*bis* of the Fiscal Decree Linked to the Finance Act 2020 as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020)

; and

(D) *Real estate investment funds*

Interest payments in respect of the Notes to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Real Estate Investment Funds**") and to Italian resident "*società di investimento a capitale fisso*" ("**SICAFs**") are generally subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the same Real Estate Investment Funds. Unitholders are generally subject to a 26% withholding tax on distributions from the Real Estate Investments Funds. Law Decree No. 70 of 13 May 2011 (converted with amendments by Law No. 106 of 12 July 2011) has introduced certain changes to the tax treatment of the unitholders of Real Estate Investment Funds,

including a direct imputation system (tax transparency) for certain non-qualifying unitholders (e.g. Italian resident individuals) holding more than 5% of the units of the fund.

Non-Italian resident Noteholders

An exemption from *imposta sostitutiva* on Interest on the Notes is provided with respect to certain beneficial owners resident outside of Italy, not having a permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to the Decree 239 the aforesaid exemption applies to any beneficial owner of an Interest payment relating to the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy; or (ii) is an international body or entity set up in accordance with international agreements which have entered into force in the Republic of Italy; or (iii) is the Central Bank or an entity also authorised to manage the official reserves of a country; or (iv) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with the Republic of Italy, even if it does not possess the status of taxpayer in its own country of establishment (each, a "**Qualified Noteholder**").

The countries which allow for a satisfactory exchange of information with Italy are listed in the Ministerial Decree dated September 4, 1996, as amended by Ministerial Decree of March 23, 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of September 14, 2015) (the "**White List Country**").

The exemption procedure for Noteholders who are non-resident in Italy and are resident in a White List Country identifies two categories of intermediaries:

(a) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); and

(b) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via electronic link, with the Italian tax authorities (the "**Second Level Bank**"). Organisations and companies non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree 239.

In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for the Noteholders who are non-resident in Italy is conditional upon:

(a) the status of effective beneficial owners of payments on Interest on the Notes;

(b) the timely deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(c) the timely submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares that it is eligible to benefit from the exemption from imposta sostitutiva. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked and needs not to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above

statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in the Republic of Italy or Central Banks or entities also authorised to manage the official reserves of a State.

Additional requirements are provided for "institutional investors".

In the case of non-Italian resident Noteholders not having a permanent establishment in Italy to which the Notes are effectively connected, the *imposta sostitutiva* may be reduced (generally to 10%) or eliminated under certain applicable tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

Notes qualifying as atypical securities (titoli atipici)

Interest payments relating to Notes that are neither deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) nor in the category of shares (*azioni*) or securities similar to shares (*titoli similari alle azioni*) are subject to a withholding tax, levied at the rate of 26%.

Subject to certain limitations and requirements (including a minimum holding period), Pension Funds, Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509/1994 and Legislative Decree No. 103/1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020), Article 1 (211-215) of the Finance Act 2019, as subsequently amended and supplemented, or Article 13-*bis* of the Fiscal Decree linked to the Finance Act 2020, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020).

Where the Noteholder is (i) a non-Italian resident person, (ii) an Italian resident individual not holding the Notes for the purpose of carrying out a business activity, (iii) an Italian resident non-commercial partnership, (iv) an Italian resident non-commercial private or public institution, (v) a Fund, (vi) a Real Estate Investment Fund, (vii) a Pension Fund, (viii) an Italian resident investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Where the Noteholder is (i) an Italian resident individual carrying out a business activity to which the Notes are effectively connected, (ii) commercial partnership, (iii) an Italian resident corporation or a similar Italian commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), (iv) an Italian resident commercial private or public institution, such withholding tax is an advance withholding tax.

In case of non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, the above-mentioned withholding tax rate may be reduced (generally to 10%) or eliminated under certain applicable tax treaties entered into by Italy, if more favourable, subject to timely filing of the required documentation.

Fungible issues

Pursuant to Article 11 (2) of Decree No. 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the

original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Capital Gains

Italian resident Noteholders

Pursuant to Legislative Decree No. 461 of 21 November 1997 ("**Decree No. 461**"), as amended, a 26% capital gains tax (the "**CGT**") is applicable to capital gains realised on any sale or transfer of the Notes for consideration by Italian resident individuals (not engaged in a business activity to which the Notes are effectively connected), regardless of whether the Notes are held outside of Italy.

For the purposes of determining the taxable capital gain, any Interest on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

With regard to the CGT application, taxpayers may opt for one of the three following regimes:

(a) "Tax declaration" regime (*Regime della Dichiarazione*)

The Noteholder must assess the overall capital gains realised in a certain fiscal year, net of any incurred capital losses, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same fiscal year. Losses exceeding gains can be carried forward into following fiscal years up to the fourth following fiscal year. Since this regime constitutes the ordinary regime, the taxpayer must apply it to the extent that the same does not opt for any of the two other regimes;

(b) "Non-discretionary investment portfolio" regime (*Risparmio Amministrato*)

The Noteholder may elect to pay the CGT separately on capital gains realised on each sale or transfer of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other authorised intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being made in writing by the relevant Noteholder. The *Risparmio Amministrato* lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for the CGT in respect of capital gains realised on each sale or transfer of the Notes, as well as in respect of capital gains realised at the revocation of its mandate. Where a particular sale or transfer of the Notes results in a net loss, the intermediary is entitled to deduct such loss from gains subsequently realised on assets held by the Noteholder with the same intermediary and within the same deposit relationship, in the same fiscal year or in the following fiscal years up to the fourth following fiscal year. The Noteholder is not required to declare the gains in his annual income tax return; and

(c) "Discretionary investment portfolio" regime (*Risparmio Gestito*)

If the Notes are part of a portfolio managed by an Italian asset management company, capital gains are not subject to the CGT, but contribute to determine the annual net accrued result of the portfolio. Such annual net accrued result of the portfolio, even if not realised, is subject to an ad-hoc 26% substitutive tax, which the asset management company is required to levy on behalf of the Noteholder. Any losses of the investment portfolio accrued at year end may be carried forward against net profits accrued in each of the following fiscal years, up to the fourth following fiscal year. Under such regime the Noteholder is not required to declare the gains in his annual income tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509/1994 and Legislative Decree No. 103/1996 may be exempt from Italian capital gain taxes, including the CGT, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 as subsequently amended and supplemented (including by Article

136 of Law Decree No. 34 of 19 May 2020), Article 1 (211-215) of the Finance Act 2019, as subsequently amended and supplemented, or Article 13-*bis* of the Fiscal Decree linked to the Finance Act 2020, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020). According to Article 1 (221-226) of Law No. 178 of 30 December 2020, under some conditions, capital losses realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets specific requirements, give rise to a tax credit equal to the capital losses, provided that such tax credit does not exceed the 20% of the amount invested in the long-term saving accounts (*piano di risparmio a lungo termine*).

The CGT does not apply to the following subjects:

(A) *Corporate investors*

Capital gains realised on the Notes by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) form part of their aggregate income subject to IRES. In certain cases, capital gains may also to be included in the taxable net value of production of such entities for IRAP purposes. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years.

(B) *Funds*

Capital gains realised by the Funds on the Notes are subject neither to CGT nor to any other income tax in the hands of the Funds (see *Italian Resident Noteholders*, above).

(C) *Pension Funds*

Capital gains realised by Pension Funds on the Notes contribute to determine their annual net accrued result, which is subject to a 20% substitutive tax (see *Italian Resident Noteholders*, above). Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020), Article 1 (211-215) of the Finance Act 2019, as subsequently amended and supplemented, or Article 13-*bis* of the Fiscal Decree Linked to the Finance Act 2020, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020).

(D) *Real Estate Investment Funds*

Capital gains realised by Real Estate Investment Funds and by SICAFs to which the provisions of Article 9 of Legislative Decree No. 44 of 4 March 2014 apply on the Notes are not taxable at the level of same Real Estate Investment Funds (see *Italian Resident Noteholders*, above).

Non Italian resident Noteholders

Capital gains realised by non-resident Noteholders (not having permanent establishment in Italy to which the Notes are effectively connected) on the disposal of the Notes are not subject to tax in Italy, regardless of whether the Notes are held in Italy, subject to the condition that the Notes are listed in a regulated market in Italy or abroad (e.g. the Luxembourg Stock Exchange).

Should the Notes not be listed in a regulated market as indicated above, the aforesaid capital gains would be subject to tax in Italy, if the Notes are held by the non-resident Noteholder therein. Pursuant to Article 5 of

Decree 461, an exemption, however, would apply with respect to beneficial owners of the Notes, which are Qualified Noteholders.

In any event, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a tax treaty with Italy providing that capital gains realised upon sale or transfer of Notes are taxed only in the country of tax residence of the recipient, will not be subject to tax in Italy on any capital gains realised upon any such sale or transfer.

Inheritance and gift tax

Inheritance and gift taxes apply on the overall net value of the relevant transferred assets, at the following rates, depending on the relationship between the testate (or donor) and the beneficiary (or donee):

(a) 4% if the beneficiary (or donee) is the spouse or a direct ascendant or descendant (such rate only applying on the net asset value exceeding, for each person, €1 million);

(b) 6% if the beneficiary (or donee) is a brother or sister (such rate only applying on the net asset value exceeding, for each person, €100,000);

(c) 6% if the beneficiary (or donee) is a relative within the fourth degree or a direct relative-in-law as well an indirect relative-in-law within the third degree;

(d) 8% if the beneficiary is a person, other than those mentioned under (a), (b) and (c), above.

In case the beneficiary has a serious disability recognised by law, inheritance and gift taxes apply on its portion of the net asset value exceeding €1.5 million.

The *mortis causa* transfer of financial instruments included in a long-term savings account (*piano di risparmio a lungo termine*) – that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020), Article 1 (211-2015) of the Finance Act 2019, as subsequently amended and supplemented or Article 13-*bis* of the Fiscal Decree Linked to the Finance Act 2020, as subsequently amended and supplemented (including by Article 136 of Law Decree No. 34 of 19 May 2020) are exempt from inheritance and gift tax.

Stamp duty

Pursuant to Article 13, paragraph 2 *ter* of Part I attached to Presidential Decree No. 642 of October 26, 1972, as amended from time to time, a proportional stamp duty applies on an annual basis to any periodical reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies, on a yearly basis, at a rate of 0.2%; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty cannot exceed €14,000, for taxpayers other than individuals.

The proportional stamp duty does not apply to communications sent by Italian financial intermediaries to subjects not qualifying as clients, as defined by Provision of the Governor of Bank of Italy 20 June 2012. Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds.

Periodical communications to clients are presumed to be sent at least once a year, even though the intermediary is not required to send communication. In this case, the stamp duty is to be applied on 31

December of each year or in any case at the end of the relationship with the client. At any rate, where no specific exemption applies, a minimum stamp tax of Euro 34.20 is due on a yearly basis.

Wealth tax on securities deposited abroad

Pursuant to Article 19(18) of Law Decree of 22 December 2011 n. 201, Italian resident individuals, non-profit entities and certain partnerships (*società semplici* or similar partnership in accordance with Article 5 of ITC) holding the Notes outside the Italian territory are required to pay a wealth tax at a rate of 0.2%.

Pursuant to the provision of Article 134 of Law Decree No. 34 of 19 May 2020, the wealth tax cannot exceed Euro 14,000 per year for taxpayers different from individuals. This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – on the nominal value or on the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of the wealth tax if they are managed by Italian resident intermediaries. In this case, the stamp duty described in the previous paragraph (*Stamp duty*) does not apply.

Registration tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds (*atti pubblici e scritture private autenticate*) executed in Italy should be subject to a fixed registration tax (Euro 200); (ii) private deeds (*scritture private non autenticate*) should be subject to registration tax only in "case of use" or voluntary registration at a fixed amount (Euro 200).

Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of ITC), resident in Italy for tax purposes who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

The requirement also applies where the persons abovementioned, being not the direct holders of the financial instruments, are the actual owners of the instruments.

Furthermore, the abovementioned reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, on the condition that the items of income derived from the Notes have been subject to tax by the same intermediaries.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with

respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed U.S. Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Moreover, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final U.S. Treasury regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "Terms and Conditions – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the FATCA withholding.

EUROPEAN DIRECTIVE ON ADMINISTRATIVE COOPERATION

Legislative Decree No. 29 of 4 March 2014, as supplemented from time to time, has implemented the EU Council Directive 2011/16/EU (as amended by 2014/107/UE, 2015/2376/UE, 2016/881/UE; 2016/2258/UE and 2018/822/UE), on administrative cooperation in the field of taxation (the "**DAC**").

The main purpose of the DAC is to extend the automatic exchange of information mechanism between Member State, in order to fight against cross border tax fraud and tax evasion. The new regime under DAC is in accordance with the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014.

The Directive on Administrative Cooperation (2014/107/EU) of December 9, 2014 ("**DAC 2**") implemented the exchange of information based on the Common reporting Standard ("**CRS**") within the EU. Under CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence, and reporting procedures. The Italian government implemented the above-mentioned Council Directive 2014/107/EU in the Ministerial Decree issued by the Ministry of Finance on 28 December 2015, as amended and supplemented from time to time. Following the Ministerial Decree quoted, the Italian tax authorities may communicate to other EU Member States information about interest and other categories of financial income of Italian source, including income from the Notes. Furthermore, the Italian Government implemented the later changes to the Council Directive 2011/16/EU, including the changes introduced by the Council Directive 2376/2015/EU on the mandatory automatic exchange of information on advance cross-border rulings and advance pricing arrangements, through the issue of the Legislative Decree 15 March 2017, no. 32, and by the Council Directive 2016/2258/EU as regards access to anti-money-laundering information by tax authorities, through the issue of the Legislative Decree 18 May 2018, no. 60.

The EU Council Directive 2018/822/EU of 25 May 2018 ("**DAC 6**") implemented the mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements. Under DAC 6 intermediaries which meet certain criteria and taxpayers are required to disclose to the relevant Tax Authorities certain cross-border arrangements, which contain one or more of a prescribed list of hallmarks, performed from 25 June 2018 onwards. Italy enacted DAC 6 into its domestic law with Legislative Decree No. 100 dated 30 July 2020.

Prospective investors should consult their tax advisers on the tax consequences deriving from the application of the Directive on Administrative Cooperation.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 7 October 2021 agreed with the Issuer the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA.

For the purposes of this provision:

a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

   (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of the UK domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of the UK domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in the Republic of Italy, except in accordance with the Prospectus Regulation and any Italian securities, tax and other applicable laws and regulations.

Accordingly, each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and/or any other document relating to the Notes in the Republic of Italy except:

(a) to "qualified investors" (*investitori qualificati*), as referred to in Article 2 of the Prospectus Regulation and Article 35, paragraph 1, letter (d) of CONSOB Regulation No. 20307 of 15 February 2018 (the "**Regulation No. 20307**"), pursuant to Article 34-*ter*, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), implementing Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**"), all as amended from time to time; or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of the Financial Services Act, Article 34-*ter* of the Issuers Regulation and any other applicable Italian laws and regulations.

In any event, any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy under paragraphs (a) or (b) above must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act , Legislative Decree No. 385 of 1 September 1993, as amended (the "**Consolidated Banking Law**"), Regulation No. 20307, and any other applicable laws and regulations; and

(b) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority (including, without limitation, Article 129 of the Consolidated Banking Law and the implementing guidelines of the Bank of Italy, as amended from time to time).

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 5 October 2011. The increase to Euro 3,5 billion and the update of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 11 November 2020. The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 22 September 2021.

The issue of Notes under the Programme will be authorised prior to each relevant issue of Notes by the competent bodies of the Issuer in accordance with applicable laws and the relevant provisions of the Issuer's By-Laws. Each issuance resolution (*delibera di emissione*) shall be passed in notarial form and registered in the competent Companies' Register (*Registro delle Imprese*).

Listing of Notes, Approval and Admission to Trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the Central Bank in its capacity as the competent authority in the Republic of Ireland for the purposes of the Prospectus Regulation.

Application has been made to the Central Bank of to provide the competent authority in the Grand Duchy of Luxembourg with a certificate of such approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

Application has also been made to the Irish Stock Exchange plc trading as Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin's regulated market and to be listed on the Official List of Euronext Dublin. Euronext Dublin's regulated market is a regulated market for the purposes of the MiFID II.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets (including stock exchanges in the Grand Duchy of Luxembourg, the professional segment (ExtraMOT PRO) of the multi-lateral trading facility (ExtraMOT Market) organised and managed by Borsa Italiana S.p.A. and/or in other Member States within the EEA) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Documents Available

For so long as any Notes issued in the period of 12 months following the date of this Base Prospectus shall be outstanding, copies of the following documents will be available at https://eng.gruppohera.it/group/investor_relations/financial_profile/bond_emissions/.

(a) the By-laws (*statuto*) of the Issuer (with an English translation thereof);

(c) the audited consolidated annual financial statements of HERA in respect of the financial years ended 31 December 2020 and 31 December 2019 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith. HERA currently prepares audited accounts on an annual basis;

(d) the unaudited interim consolidated results of HERA as at and for the six-months ended on 30 June 2021;

(e) a copy of this Base Prospectus; and

(f) any future supplements and Final Terms (save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, any supplement thereto, each Final Terms relating to Notes which are admitted to trading on the Euronext Dublin's regulated market and each document incorporated by reference are available on the Euronext Dublin's website at https://live.euronext.com/.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms and, if applicable, FISN and CFI codes. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Material adverse change or significant change

Save as disclosed in the section "*Description of the Issuer – Recent developments*" above, there has been no material adverse change in the prospects of Hera since 31 December 2020. Save as disclosed in the section "*Description of the Issuer – Recent developments*" above, there has been no significant change in the financial performance or position of Hera or the Hera Group since 30 June 2021.

Litigation

Save as disclosed in the section "*Description of the Issuer – Legal Proceedings*" above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Websites

The website of the Issuer is www.gruppohera.it. The information on www.gruppohera.it does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus. Other than the information incorporated by reference, the content of the Hera Group website has not been scrutinised or approved by the competent authority.

Any information contained in any other website specified in this Base Prospectus does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.

Auditors

The auditors of the Issuer are Deloitte & Touche S.p.A., who have audited the Issuer's accounts, without qualification, in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union, for the financial years ended on 31 December 2020 and on 31 December 2019.

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of auditing firms (*Registro dei Revisori Legali*) held by the Ministry of Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010. Deloitte & Touche S.p.A. is also a member of ASSIREVI, the Italian association of auditing firms and it is registered at the Public Company Accounting Oversight Board (PCAOB) in the United States. The auditors of the Issuer have no material interest in the Issuer.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, for the purpose of this paragraph the term 'affiliates' includes also parent companies.

Yield

The yield for any series of Fixed Rate Notes will be set out in the applicable Final Terms. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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