GREEN BOND ALLOCATION & IMPACT REPORT

MARCH 2022

FIRST RELEASE

acea


1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
15 LIFE ON LAND
4 QUALITY EDUCATION
10 REDUCED INEQUALITIES
14 LIFE BELOW WATER
17 PARTNERSHIPS FOR THE GOALS
5 GENDER EQUALITY
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
6 CLEAN WATER AND SANITATION
11 SUSTAINABLE CITIES AND COMMUNITIES
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH

SOMMARIO

BOND SUMMARY AND INTRODUCTION

In 2021 Acea issued its first Green Bond for a total nominal amount of Euro 900 million and net proceeds of roughly Euro 888,2 million[1], divided into two sub-issuances of nominal values Euro 300 million and Euro 600 million respectively, within the Euro Medium Term Notes program, and are both listed in the Luxembourg Stock Exchange, regulated market. The two sub-issuances are structured as follows:

ISSUANCE n.1 (ISIN XS2292486771)					
Euro 300 million					
Issue Date	Maturity Date	Net proceeds (€ million)	Annual Coupon	Issue Price	Rating (Fitch/ Moody's)
January, 28th 2021	September, 28th 2025	299,841	0%	100,177%	BBB+/Baa2

ISSUANCE n.2 (ISIN XS2292487076)					
Euro 600 million					
Issue Date	Maturity Date	Net proceeds (€ million)	Annual Coupon	Issue Price	Rating (Fitch/ Moody's)
January, 28th 2021	July, 28th 2030	588,372	0,25%	98,292%	BBB+/Baa2

The demand for this first Acea S.p.A. Green Bond exceeded the supplied total amount by more than 7 times, and showed remarkable interest from important green institutional investors demonstrating the strong interest in Acea's credit profile and the effectiveness of the pre-marketing activity. The transaction followed a well-attended one-day roadshow comprising a Global Investor Call and a series of group calls, to provide a credit update and present the new Acea Green Financing Framework.

CORPORATE PROFILE AND ITS COMMITMENTS

Acea, founded in 1909, has gradually become a nationwide industrial group, working in the areas of integrated water management, electricity production, distribution and sales and value-added environmental services. The current development guidelines set out in the strategic plans are characterized by the consolidation of its leadership position in the water industry and the expansion of the Group's territorial area of interest, which is mainly focused on Central Italy, and of its businesses, which range from energy production from renewable sources to the circular economy and from energy efficiency services and sustainable mobility to gas distribution.

Despite the pandemic crisis the Group's latest results are positive and up on previous years, exceeding the guidance communicated to the market. The continuity of the services provided, with a high level of quality and efficiency, a result of the ongoing commitment of Acea's people and its investments in innovation and digitalisation, testify to the Group's resilience and confirm the solidity of its business and the validity of its

1 Net Proceeds are calculated as the Issue Price net of fees.

strategy, with growth and value creation closely linked to the achievement of sustainability objectives. Acea also pursues its commitment to sustainability through participation in important external initiatives, intended to raise awareness among decision makers and the public on particular socio-environmental issues. Specifically, through these initiatives, Acea is joined by qualified panels of companies in order to support objectives of general interest and to incorporate relevant guidelines and practices into its company culture.

GREEN FINANCE FRAMEWORK AND ITS CATEGORIES

The issuance was based on the Acea Green Finance Framework presented in January 2021, and follows the presentation of the 2020-2024 Business Plan to facilitate transparency and to confirm the commitments made by the Company with respect to green bonds and sustainable finance in general.

ISS provided a SPO attesting the alignment of the green financing framework to the Green Bond Principles and Green Loan Principles. The Framework is also intended to be aligned, on a best effort basis and to the current possible extent, to the Proposal for the EU Green Bond Standard.

The net issuance proceeds are used to finance eligible projects according to the Green Finance Framework. More specifically, these eligible green projects include, for example, projects for water resource protection, development of renewable generation, construction and management of smart electricity networks, sustainable management of waste, among others. All green bond's projects are clustered into four main axes, declined in the Framework itself, that follow most of the 16 United Nations' Sustainable Development Goals (SDGs)::

GREEN FINANCE FRAMEWORK AXES			
N.	**Axes**	**Related SDG number**	**Related SDG**
1	Water Management	6	Clean water and sanitation
2	Energy Efficiency	7, 9, 11, 13	Affordable and clean energy Industry, innovation and infrastructure Sustainable cities and communities Climate Action
3	Circular Economy	6, 7, 9, 11, 12, 13	Clean water and sanitation Affordable and clean energy Industry, innovation and infrastructure Sustainable cities and communities Responsible production and consumption Climate Action
4	Green Energy	7, 9, 13	Affordable and clean energy Industry, innovation and infrastructure Climate Action

The reporting plan for this Green Bond will be structured as follows: the first report will cover all the financial indicators, for the period 2019-2020, and non-financial indicators, if measurable or available, for 2020, and will be presented in this document; the second and following reports will represent the results obtained in

2021 and following years and will be disclosed after each yearly presentation of Acea Group financial and non-financial results. In accordance with the "Green Bond Framework", the report is structured as follows. The projects described below follow the rationale entailed in the Green Finance Framework, thus it is possible that in some cases a few projects are joined to show the main objective described in the Framework.

With respect to non-financial indicators and KPIs, the reader will observe that the first year of disclosure is 2020 and not 2019 like for financial indicators. This is because for the non-financial part, 2019 represents the base year from which calculation of non-financial performance is calculated.

GREEN BOND ALLOCATION MEANT FOR REFINANCING & UNALLOCATED PROCEEDS

This first Green Bond issuance raised a total amount of net proceeds equal to Euro 888,2 million. Within the perimeter of this first report, that includes the allocation for 2019 and 2020, equal to Euro 485,14 million (54,6% of the total amount of net proceeds raised), the whole amount has been allocated to refinance exsisting projects (100%), leaving the remaining unallocated proceeds, equal to Euro 403,6 million (45,4% of total net proceeds raised) for future allocation. The Group expects to allocate the latter 45,4% of the overall net proceeds raised by 2023, with expected similar amounts between 2021 and 2022 on a best effort basis. All the unallocated proceeds at 31 December 2021 have been temporarily invested into cash and short-term time deposits.

GREEN FINANCE WORKING GROUP & PROCEDURE

Since the issuance of the Green Finance Framework in 2021, Acea has established within its governance system an internal procedure for the establishment of best practices for the whole Group in the sustainable finance world, including processes for designing, planning, executing and monitoring all the sustainable finance activities in the Group. Furthermore, the company formed a Green Finance Working Group (GFWG), a cross-department table led by the Chief Financial Officer (CFO). It includes representatives from Finance, Sustainability Planning & Reporting and Planning & Control holding departments, each covering responsibility according to its own expertise, and works in harmony with representatives of the Group's operative subsidiaries. The GFWG is responsible of creating and updating the abovementioned Green Finance Framework in line with the sustainability objectives of the Group, and dives deep into the eligibility criteria for potential green projects. The initial process for the first selection and evaluation of potential eligible green projects was based on the materiality assessment carried out by the Group for both the Acea's Business and Sustainability Plans, in order to isolate and define the most relevant topics and issues at stake for the whole Group in terms of sustainability objectives and related investments. Today, this process is structured as follows:

- reviewing and validation of the selection of Eligible Green Projects in accordance with the defined Eligible Green Project Categories listed in the Use of Proceeds section of the Green Finance Framework;
- monitoring of the Eligible Green Project portfolio during the life of the transaction through a tracked and integrated internal periodical report for the whole Group, fed with Enteprise Resource Planning tools and data, regarding financial allocation;
- if the Sustainability department deems that an eligible project becomes subject to a major ESG controversy, the GFWG will analyse it and may decide to exclude and replace such Eligible Green Project;
- managing any future update of the Green Financing Framework.

All potential Eligible Green Projects comply with local laws and regulations, including any applicable regulatory environmental requirements, as well as Acea's internal standards for managing ethical and governance risks.

For each of the following eight categories:

- water resource protection;
- resilience of electricity distribution Infrastructure;
- clean transportation and infrastructure for Low Carbon Transport;
- smart meters;
- wastewater treatment;
- anaerobic digestion of bio-waste and/or sewage sludge;
- waste management;
- renewable energy;

13 synthetic project cards have been set up with the relevant economic and KPI indicators. All the eligibility criteria are defined in the Green Finance Framework, available in the Acea Group website, so that all the projects are consistent to the Group's sustainability objectives and to the most relevant SDGs for the Group's business.

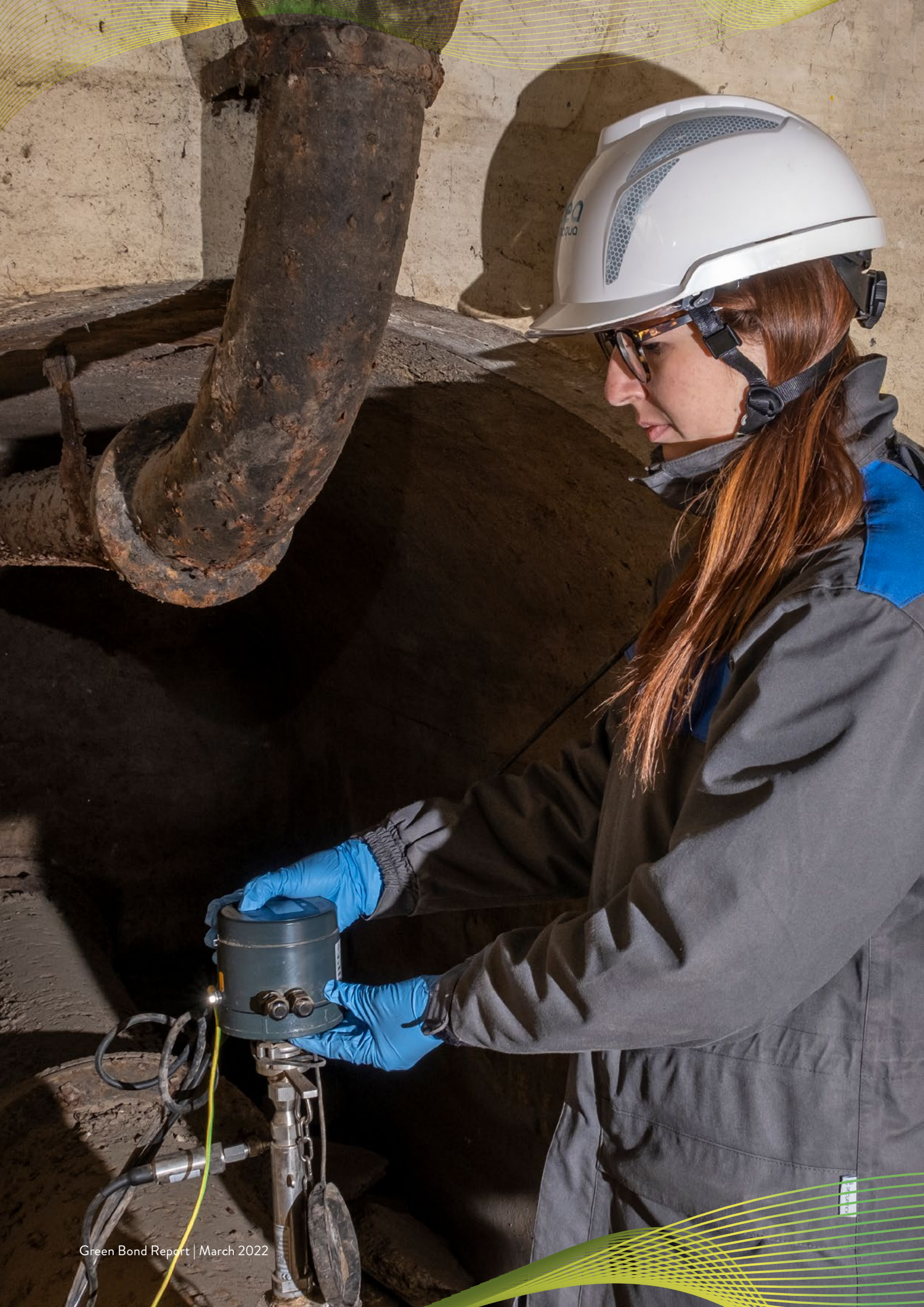
The GFWG is also responsible for managing and reporting the allocation of proceeds in the most transparent way to make up to the specific investors' and stakeholders' expectations and regulatory requirements.

2019-2020 GREEN BOND FINANCED PROJECTS

Acea has allocated a total of Euro 485,14 million until the end of 2020 divided as described in the following axes and project cards.

Total Allocated Amount per Axis (2019-2020)

	TOTAL	TOTAL	TOTAL
Green Finance Framework axes	2019 (M€)	2020 (M€)	2019 - 2020 (M€)
Water Management - total categories	61.22	76.21	137.43
Energy Efficiency - total categories	44,07	67,05	111,12
Circular Economy - total categories	77.85	48.29	126.14
Green Energy - total categories	54,91	55,54	110,45
Total	**238,05**	**247,09**	**485,14**



AXIS	CATEGORY
Water Management	Water Resource Protection
Short Description	
Investment aiming at reducing at least by 20% water losses and installation of gauges for pressure and flow rate management; Production and installation of water smart meters on the network	

1 - Water losses reduction

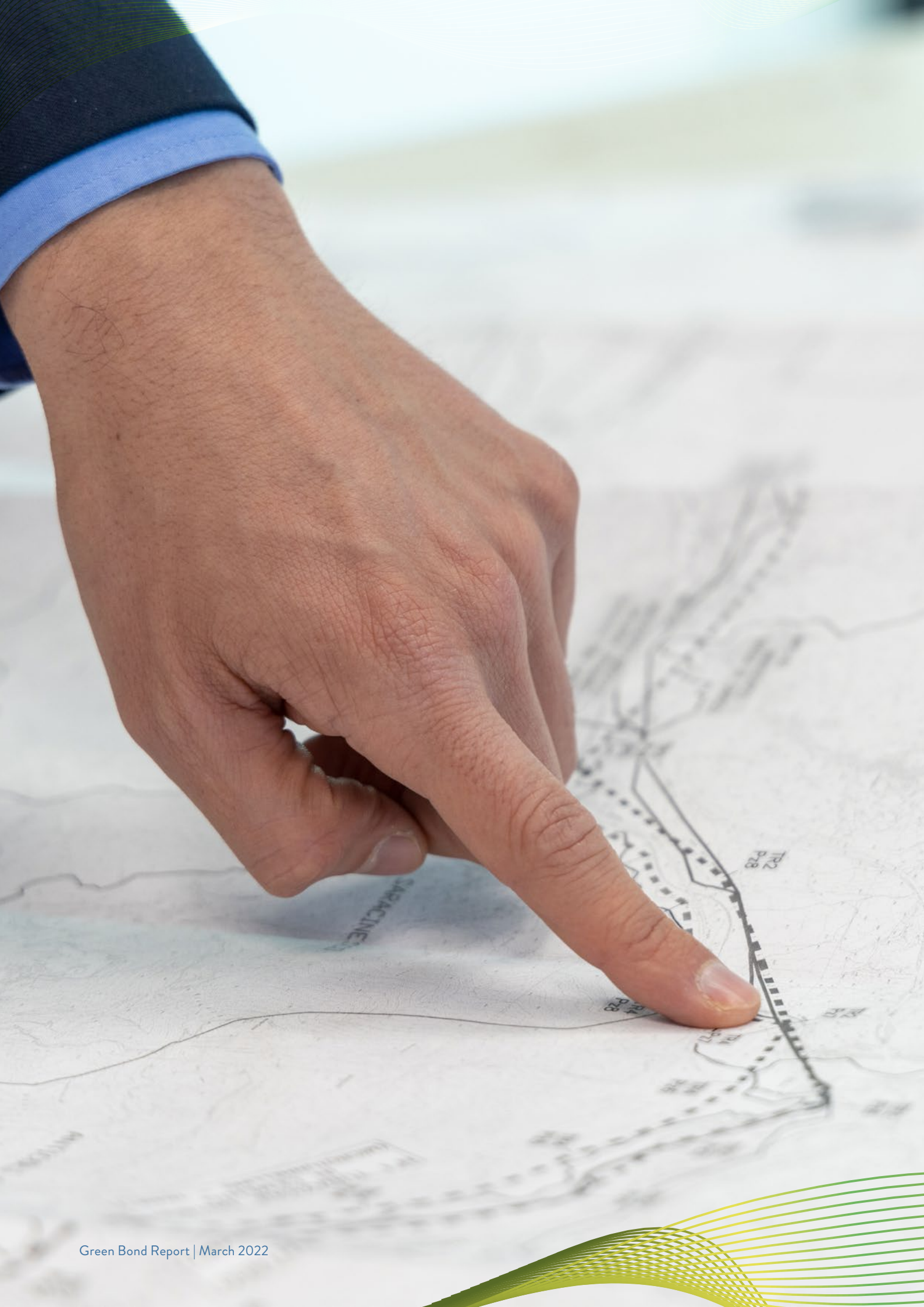
The sustainable management of the water resource is one of the distinctive features of the ACEA Group. This implies a strong effort over the entire water service value chain and over many other themes. Within those, particular relevance is covered by the containment of water losses, faced by the Group with a shared approach. Network districtisation, flow and pressure meters, sensors, telematic control, smart meters to obtain more precise data and actions against abusive behaviours all contribute to the containment of physical and commercial losses. Thanks to the detailed qualitative and quantitative data telematically-gathered by the central system thanks to sensors and meters, linked to the infrastructure, allow the optimisation of the infrastructure's conditions.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

ALLOCATION		
Total financed amount (€ *million*)	**2019**	**2020**
99,22	38,28	60,94

Environmental performance indicators

KPI	UOM	2020
% Reduction of water volume lost (over 2019)	%	5
Flow and pressure meters installed during the year	n.	354
Reclaimed water network during the year	km	136,2
Districted water network during the year	km	7.000



AXIS	CATEGORY
Water Management	Water Resource Protection
Short Description	
Water supply system aimed at increasing the resilience of the water supply system	

2 - Interventions to increment the water system resilience and the security of water supply

Acea Ato 2 began planning and realising a series of interventions for the medium-long term to increase the resiliency of the Roman and ATO2 related territory drinking water system infrastructure, thus improving the service continuity and the quantitative and qualitative supply security, also under the scope of climate change issues.

The more complex interventions, that require a longer period of time for realisation, contribute to the improvement of the whole water system's reliability and flexibility management and foresee new interventions (such as adducers, new water connections) and infrastructure and technology renewals for major water systems such as Peschiera-La Capore, Marcio and big water connection systems.

All the medium-term interventions, focused on the realisation/renewal of water purifiers, tanks and adducers, all aim at mitigating and/or eliminating the different challenges in the water supply system for certain areas, especially in the outskirts of Rome, where water sources are the most vulnerable either in prolonged periods of drought or in cases of sustained issues in the local water systems.

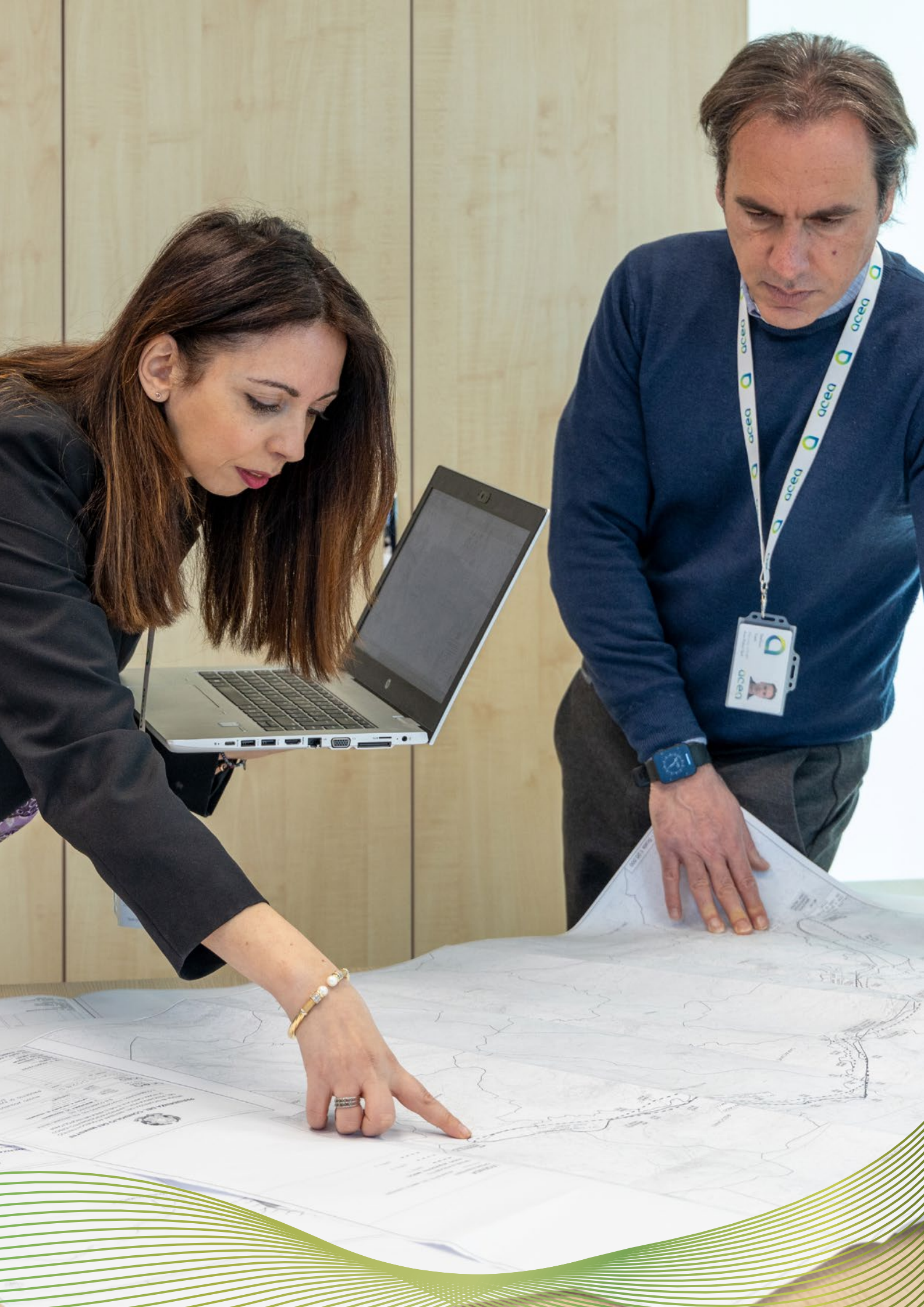
PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

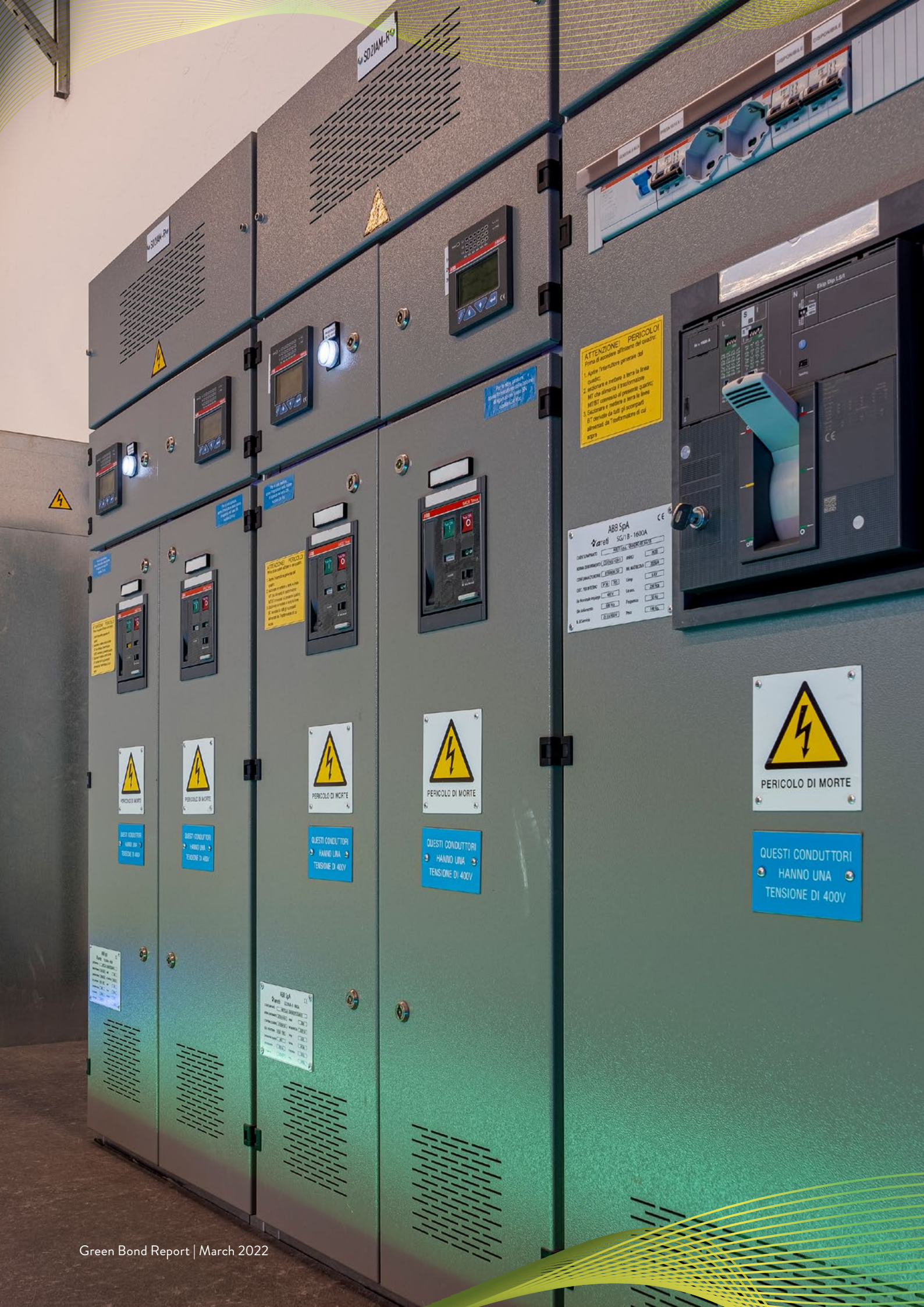
ALLOCATION		
Total financed amount (€ *million*)	**2019**	**2020**
38,21	22,94	15,27

Environmental performance indicators

KPI	UOM	2020
Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" Sub-project "New Marcio water system, lot #1"	%	10
Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" Sub-project "Doubling Siphon VIII – segment Casa Valieria – exit Galleria Ripoli"	%	0
Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" Sub-project "Monte Castellone conduct – Colle Sant'Angelo (Valmontone)"	%	0
Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" Sub-project "Ottavia-Trionfale adducer"	%	0
Interventions* in pipeline/interventions in the ATO2 scope	%	50
Interventions* in process/interventions in the ATO2 scope	%	40
Interventions* completed/interventions in the ATO2 scope	%	10

* All the "interventions" references involve a series of medium-term interventions aimed at the security of the water system supply in the ATO2 territory – central Latium/Rome – in those areas affected by vulnerable water and/or infrastructure availability.


acea


ATTENZIONE! PERICOLO!
ABB SpA
PERICOLO DI MORTE
QUESTI CONDUTTORI HANNO UNA TENSIONE DI 400V

AXIS	CATEGORY
Energy Efficiency	Resilience of electricity distribution Infrastructure
Short Description	
Investments to reduce networks energy losses	

3 - Energy efficiency in the electricity distribution networks' management

Acea is deeply focused and committed to the improvement of Rome and Formello electricity distribution networks, both managed by Areti, which, among others, qualify the whole Group as the second ranked national operator in terms of points of delivery. The company has planned voltage change interventions as well as interventions to substitute medium voltage/low voltage transformers with components aimed at reducing losses which will eventually contribute to the diminishing of the technical energy losses on the electric network. Energy efficiency interventions will reduce electricity consumption required to manage processes, resulting in savings which can be converted in both TOE and avoided CO_2 emissions.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
19,80	13,50	6,30

Environmental performance indicators

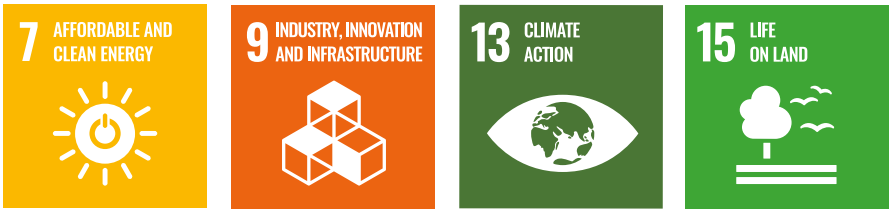
KPI	UOM	2020
Saved electricity/Distributed electricity (*)	MWh/ MWh	1.770/ 9.070.469
Averted emissions (**)	tCO_2	637
TOE saved	TOE	331

(*) 2020 data modified for consolidation purposes with respect to the Non Financial Disclosure data points.

(**) Averted emissions calculation is carried out with the 2019 location-based conversion factor (base year). The 2020 averted emissions datapoint, calculated based on the Terna 2020 location-based conversion factor and reported in the Energy Review, equals 595 tCO_2.

AXIS	CATEGORY
Energy Efficiency	Resilience of electricity distribution Infrastructure
Short Description	
Investments in digital technologies to improve the management and increase the efficiency of the electric grid	

4 - Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions



In order to increase the resilience and efficiency of the electricity distribution network, Areti, the company within the Acea Group responsible for its management, has put into place different interventions that cover maintenance, development and physical modernisation of the network as well as connectivity and telematic control of the infrastructures.

Among the main projects we find:

- Maintenance and development interventions to increase the resilience of the electric system, which in turn imply the reduction of failures – especially the reduction of the intervention risk index – as well as the better adaptation capacity of the network to critical factors such as flooding and heat waves;
- Planning for the realisation of plants and the decommissioning of air links and fluid oil cables in the operating high voltage network thanks to a coordinated and synergistic action between the high voltage transmission and distribution networks in the Rome area. This project contributes to the safeguard of the territory and to the environmental impact reduction in protected natural areas;
- Digitalisation, connectivity and telematic control processes for the network and infrastructures, including broadband cabling for all Primary Cabins and a segment of relevant Secondary Cabins, to boost observability of both the low/medium voltage networks and infrastructures. Moreover, this project enables remote interventions, optimising the underlying service and reducing the interventions' timing when failures occur.

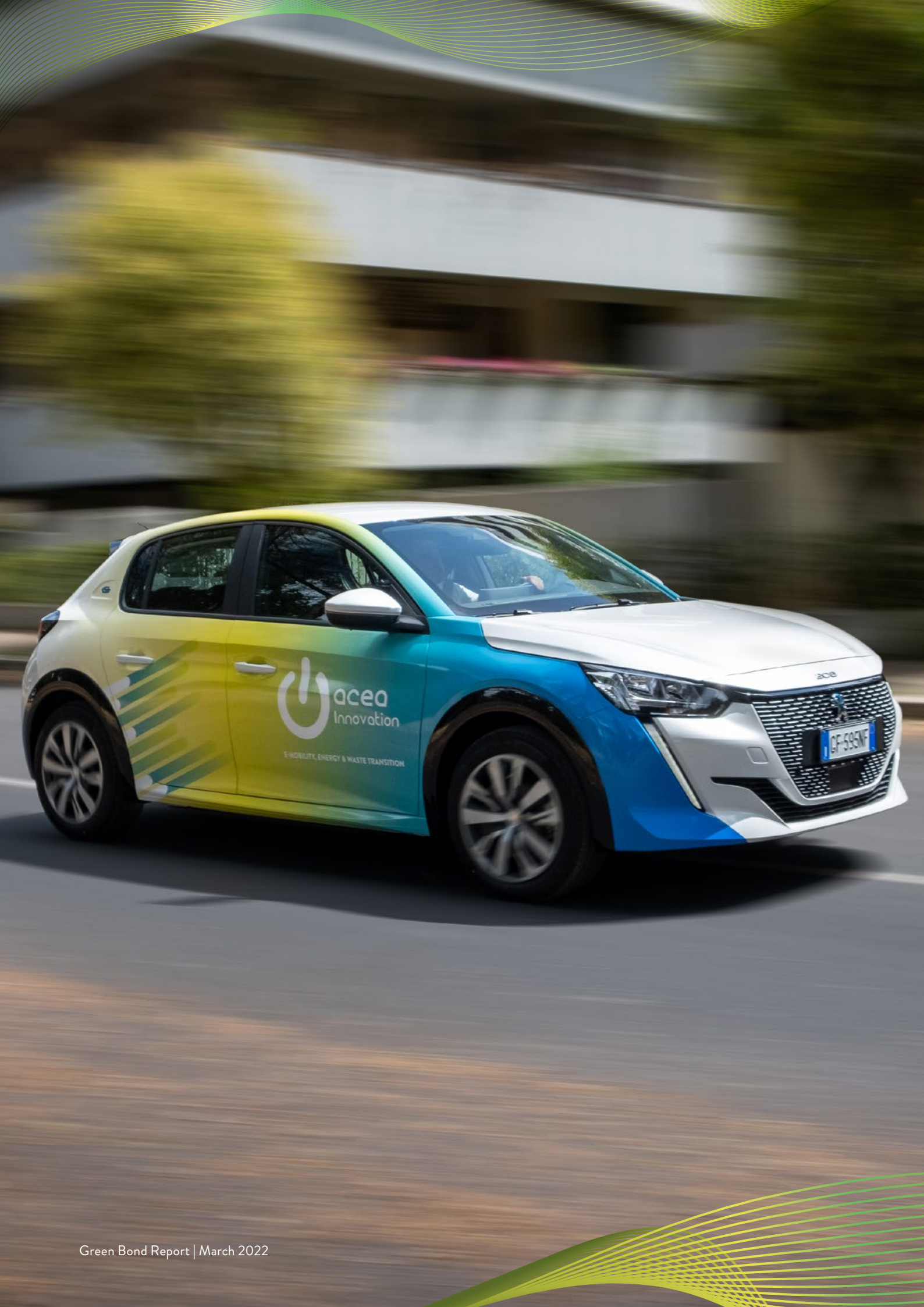
PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

ALLOCATION		
total financed amount (*€ million*)	**2019**	**2020**
82,64	30,57	52,07

Environmental performance indicators

KPI	UOM	2020
Annual % variation of the IRI (intervention Risk Index)= after intervention value/before intervention value)	%	-25
Activation/Upgrade of Secondary Cabins' automation and telematic control	n.	582
Broadband linked primary cabins / 70 primary cabins	n./n.	14/70
Number of pylons removed	n.	22
Recovered soil in highly-biodiverse areas	m2	275*

(*) During 2020 a total amount of 22 high voltage pylons were removed with an overall recovery of 460m2, 275m2 of which concerned highly biodiverse areas (including Veio Natural Park).


acea
Innovation
E-MOBILITY, ENERGY & WASTE TRANSITION

AXIS	CATEGORY
Energy Efficiency	Clean Transportation and Infrastructure for Low Carbon Transport
Short Description	
Installation of charging stations for electric vehicles and related services	

5 - Electric mobility and related services

Acea aims at contributing to the development of sustainable mobility, thanks to the infrastructures that enable its adoption. Acea Innovation, in particular, will be involved in the progressive installation of electric recharge columns for electric vehicles (EV) which supply certified green energy, with a recharging power of either 22kW or 50kW. Acea Innovation also developed a multifunctional platform with the BOMTS proprietary technology (Banking Operation Maintenance Telematics Security) that allows different types of electric transportation services to be provided: from the control of the recharging infrastructure to payments, from the supply of information services to video surveillance and other applications balanced on the clients' needs, being them either retail or big corporates. This activity will contribute to the wider adoption of electric vehicles for those who value sustainable behaviours.

PROJECT STATUS: ongoing
LOCATION: Latium and Umbria, Italy
GREEN BOND ALLOCATION

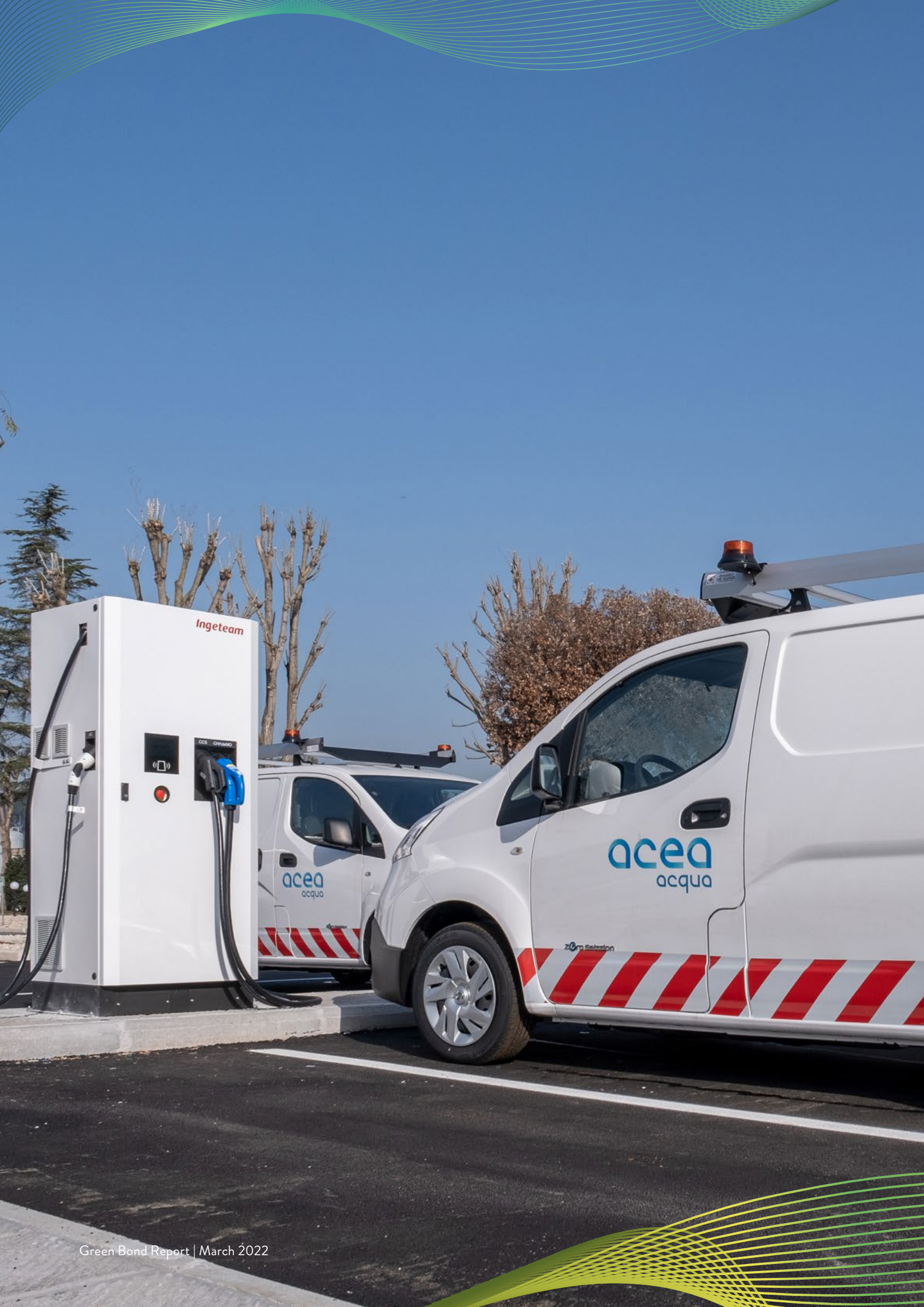
ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
0,97	-	0,97

Environmental performance indicators

KPI	UOM	2020
Installed charging columns	n.	-
Supplied certified electricity through Acea charging columns	MWh	-
Averted emissions (*)	t CO_2	-
Acea clients using the platform during the year	n.	-

(*) The emissions reduction represented here can be linked to consumers' habits, to those who picked electric vehicles rather than traditional ones and to the fact that Acea charging columns supply certified green energy.

NB: Environmental performance data will be available only with the 2021 report.


Ingeteam
acea
acqua
acea
acqua

AXIS	CATEGORY
Energy Efficiency	Clean Transportation and Infrastructure for Low Carbon Transport
Short Description	
Acquisition of zero emissions vehicles	

6 - Environmental impact reduction from the vehicles of the company's fleet

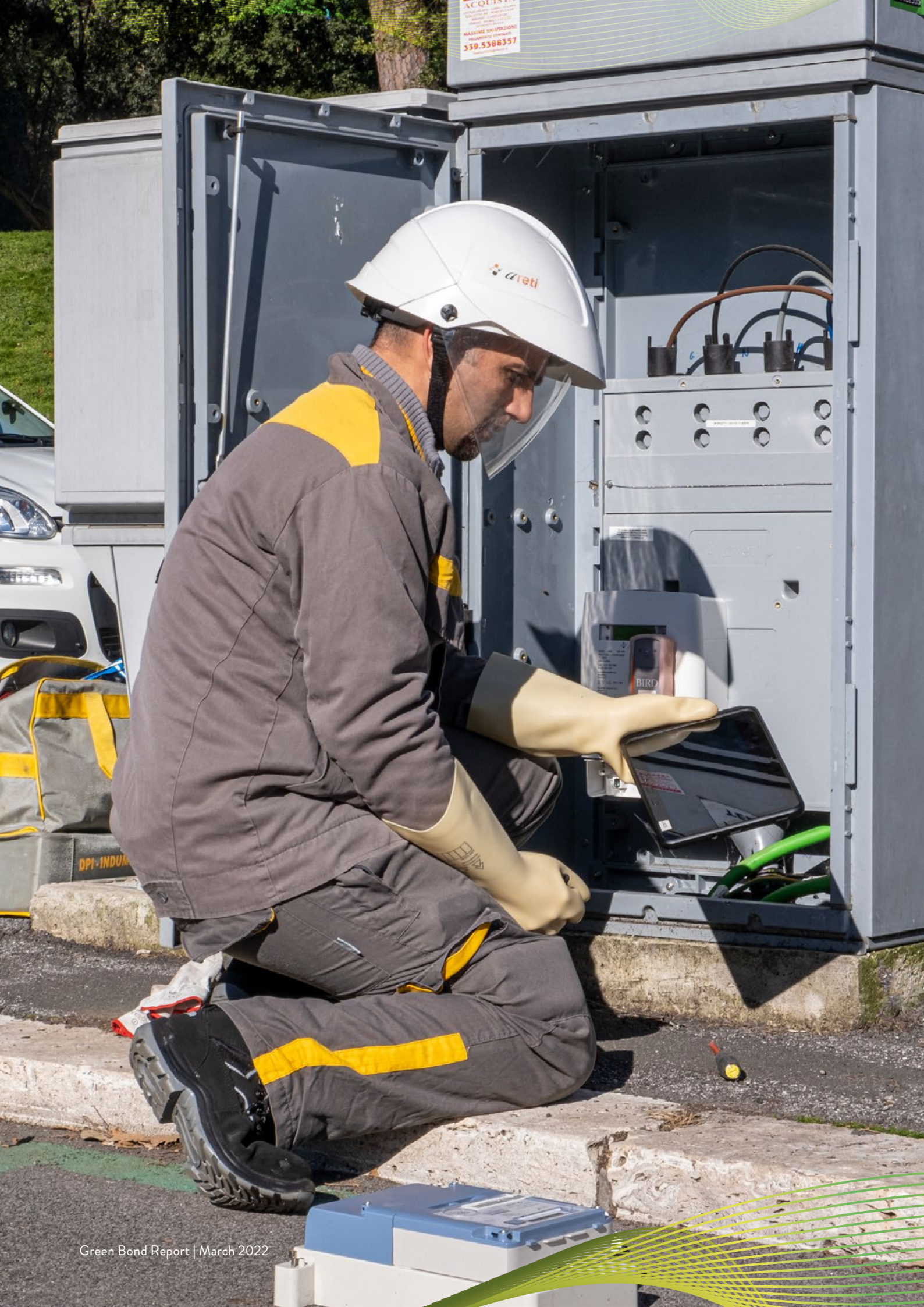
With the objective of containing the environmental impacts linked with the company's fleet used for on-site interventions Areti, the company's subsidiary that focuses on the management of the electricity distribution network in Rome and Formello, is gradually buying electric vehicles for operative employees and planning the realisation of car sharing solutions. In the same manner, Areti is engaged in the realisation of charging infrastructure within operative sites.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
2,71	-	2,71

Environmental performance indicators

KPI	UOM	2020
Averted emissions	t CO_2.	5,2
Number of electric vehicles from Areti / total number of vehicles from Areti	n./n.	125/908 (14%)


339.5388357
BIRD

AXIS	CATEGORY
Energy Efficiency	Smart Meters
Short Description	
Production and installation of energy smart meters on the network	

7 - Substitution of 2G meters in the electricity distribution service

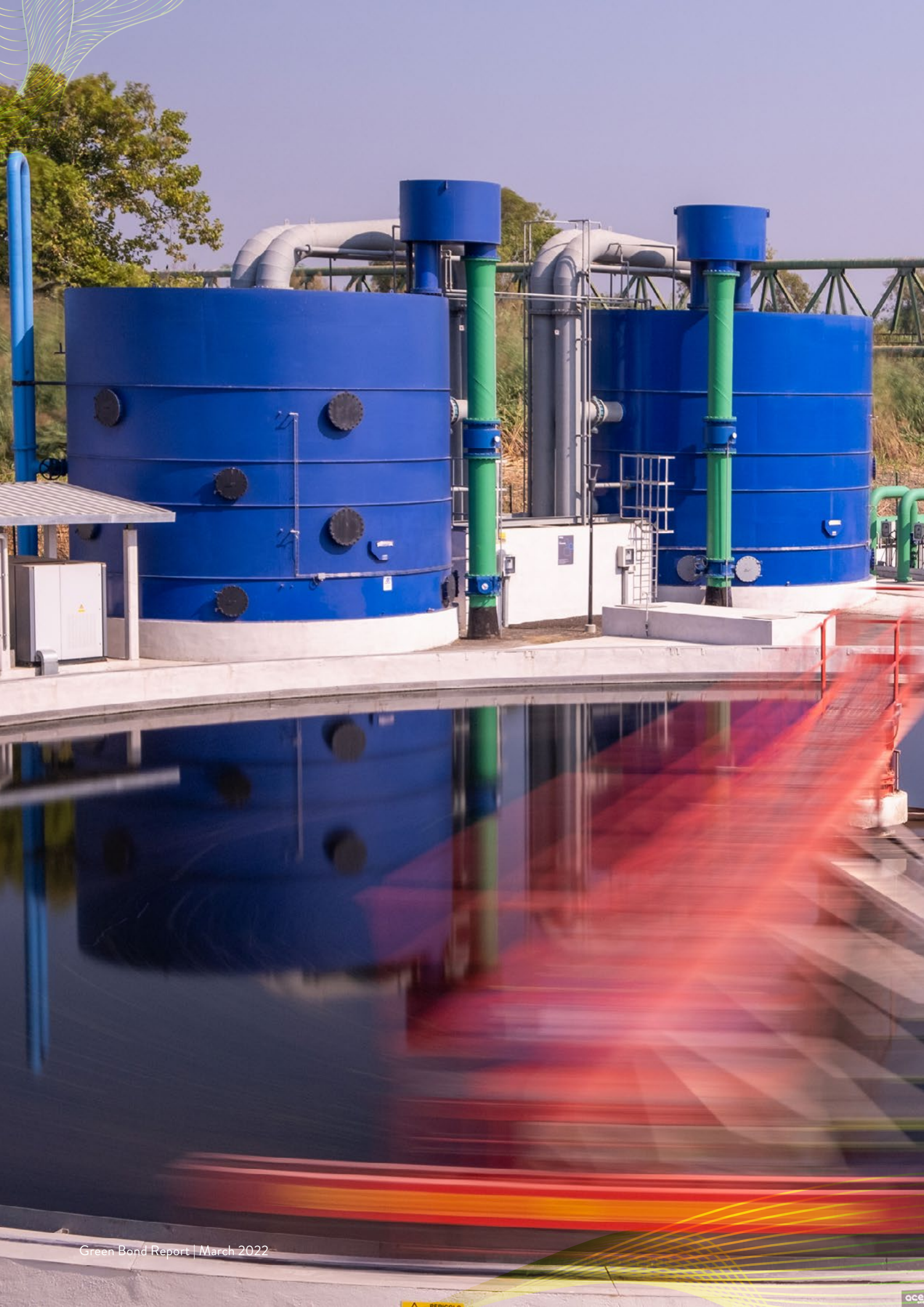
The technological innovation applied to management processes is assuming an ever-growing role for Acea as it aims the enabling of the development of the so-called 'smart-living', and clear impacts on energy savings. In particular, Areti is engaged in the massive substitution campaign with the new generation 2G meters, for a total of more than a million devices. The characteristics of those meters will provide clients with more data and more awareness, together with narrowing the expected estimates on invoices.

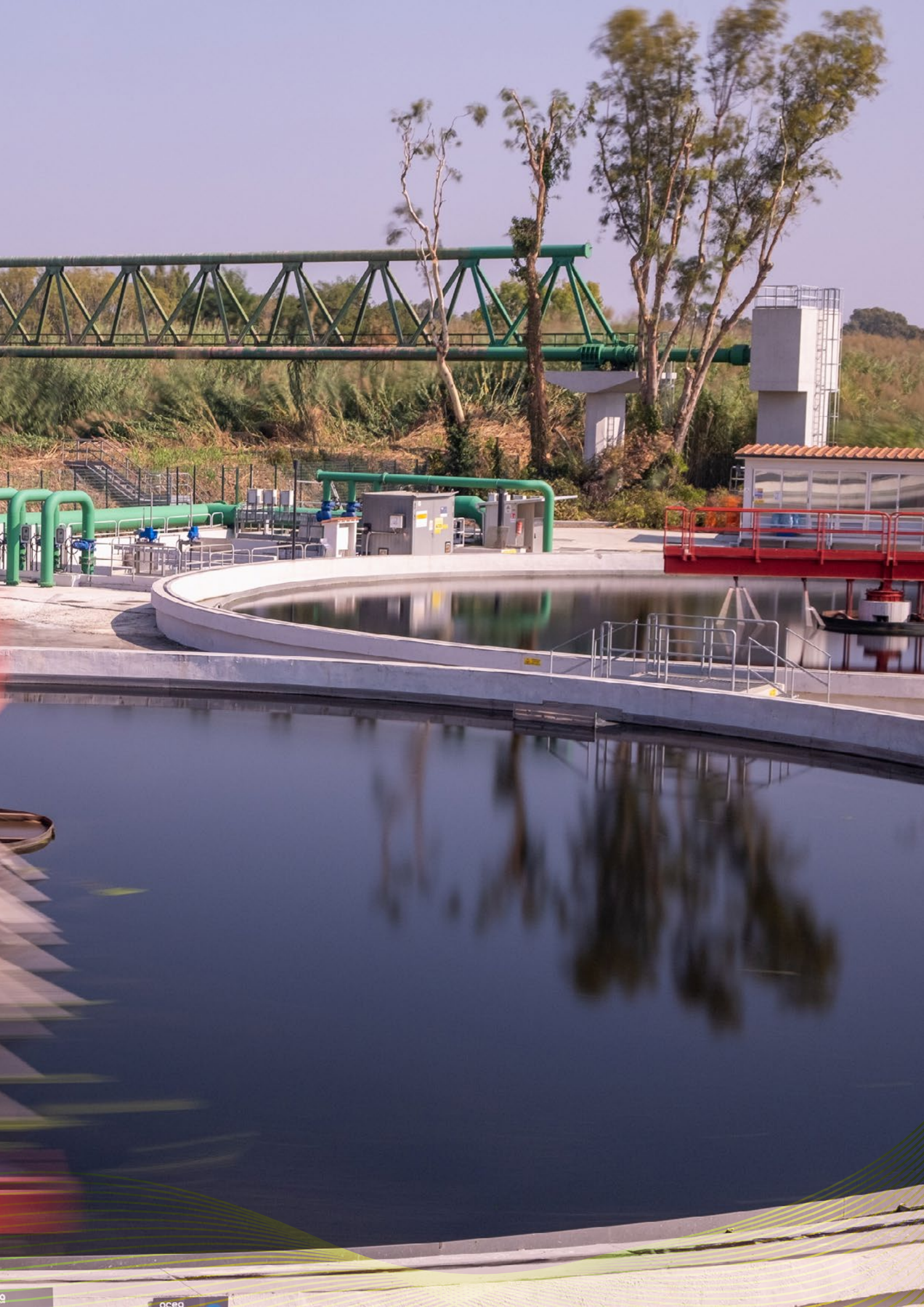
PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

ALLOCATION		
total financed amount (€ *million*)	**2019**	**2020**
5	-	5

Environmental performance indicators

KPI	UOM	2020
Number of 2G meters installed during the year	n.	59.275
Installed 2G smart meters / total meters	%	3,5% (59.275/1.676.378)





AXIS	CATEGORY
Circular Economy	Wastewater Treatment
Short Description	
Operation of wastewater collection and treatment aiming at reducing sewage sludge	

8 - Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency)

Acea, within the most important players in the integrated water system and national leader in the sector for consumers served, started different initiatives that converge to the efficiency and modernisation of the water purification sector. In particular, Acea Ato 2, the major subsidiary for the water sector within the Group, has developed a few projects with relevant impacts. Among those, the definition of a "Sludge Plan" which includes structural interventions aimed at increasing the power of medium-to-big-sized purifiers and reducing the quantity of the overall sludge produced thanks to, by means of example, the further development of dryers, the process integration of different technologies such as ozonolysis, the renewal or the adoption of sludge drying compartments, and so on. Acea Ato2 has also defined a plan for the rationalisation of purification plants, identified through the study of the territory on both an urbanistic and a geomorphological perspective. This activity will continue to be carried out by upgrading existing small plants or, whenever possible, through the centralisation of the purifying treatment process in bigger plants, with the related dismissal of smaller plants. Lastly, various energy efficiency activities have contributed to the modernisation of the purification sector, having been identified with a deep analysis of the plants' energy consumption and their relative sub-compartments.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

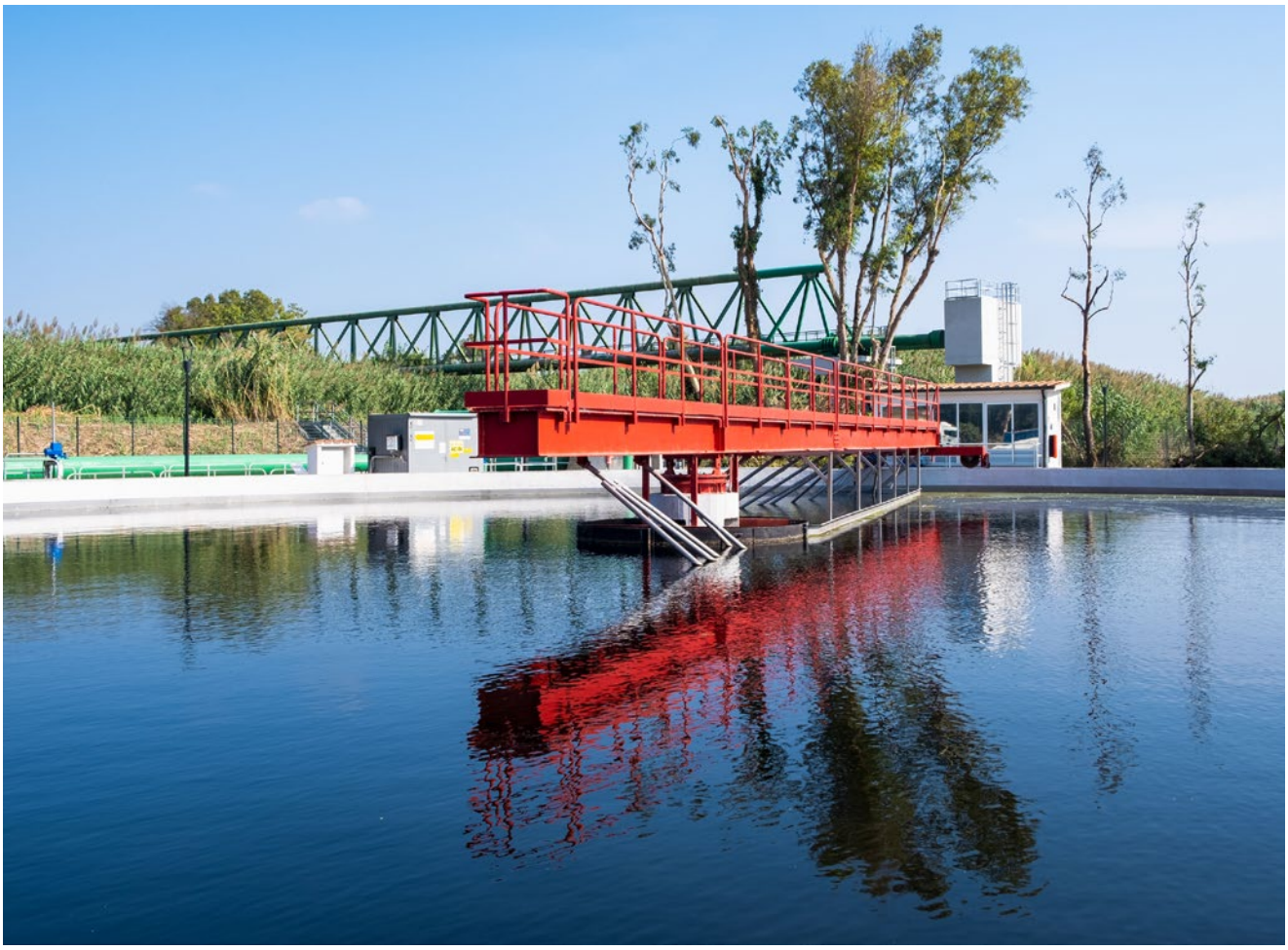
ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
36,74	12,12	24,62

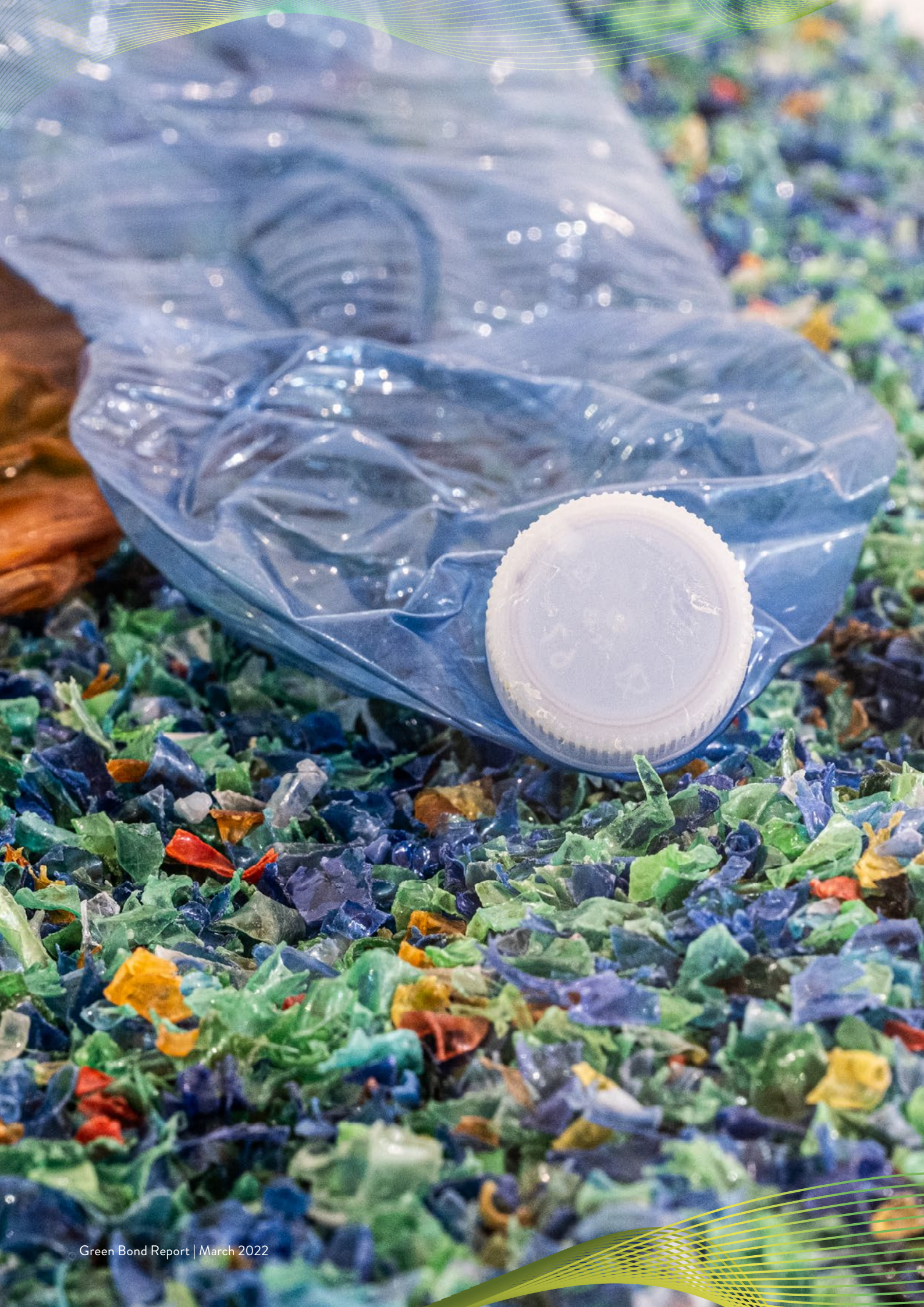
Environmental performance indicators

KPI	UOM	2020
Sludge reduction		
Total sludge (solid and liquid)	t	77.934
Reduction with respect to base year (2019)	%	-21,3
Rationalisation of purifying plants		
Percentage increase of the purifying capacity with respect to base year (2019)	%	3,7
Dismissed-centralised plants	n.	7
AE interested in the centralisation of purifiers	AE	15.730
Energy efficiency interventions		
Averted emissions thanks to energy savings in the purifying compartment (**)	tCO_2	399,6

(*) Consolidated data point with respect to what published in the 2020 Non Financial Disclosure.

(**) The calculus refers to the Terna conversion factor of the national mix for 2019, when the project started.





AXIS	CATEGORY
Circular Economy	Anaerobic Digestion of Bio-waste and/or Sewage Sludge
Short Description	
New and revamping of the Anaerobic digestion facilities	

9 - Biomethane production from purification plants

Acea Ato 2 foresees upgrading interventions in the anaerobic digestion compartments for the two biggest purifiers in Rome (North and East), functional to the transformation of locally produced biogas into bio-methane. The intervention's objective is to isolate all the methane contained into the biogas, controlling its quality and quantity, and optimising its usage.

While today biogas is meant for the production of heat for digesters, the resulting biomethane from the re-fining process will be introduced to the gas network and intended for vehicles through certifications for the quantity produced and introduced into the pipes, providing environmental benefits linked to the reduction of transportation emissions.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

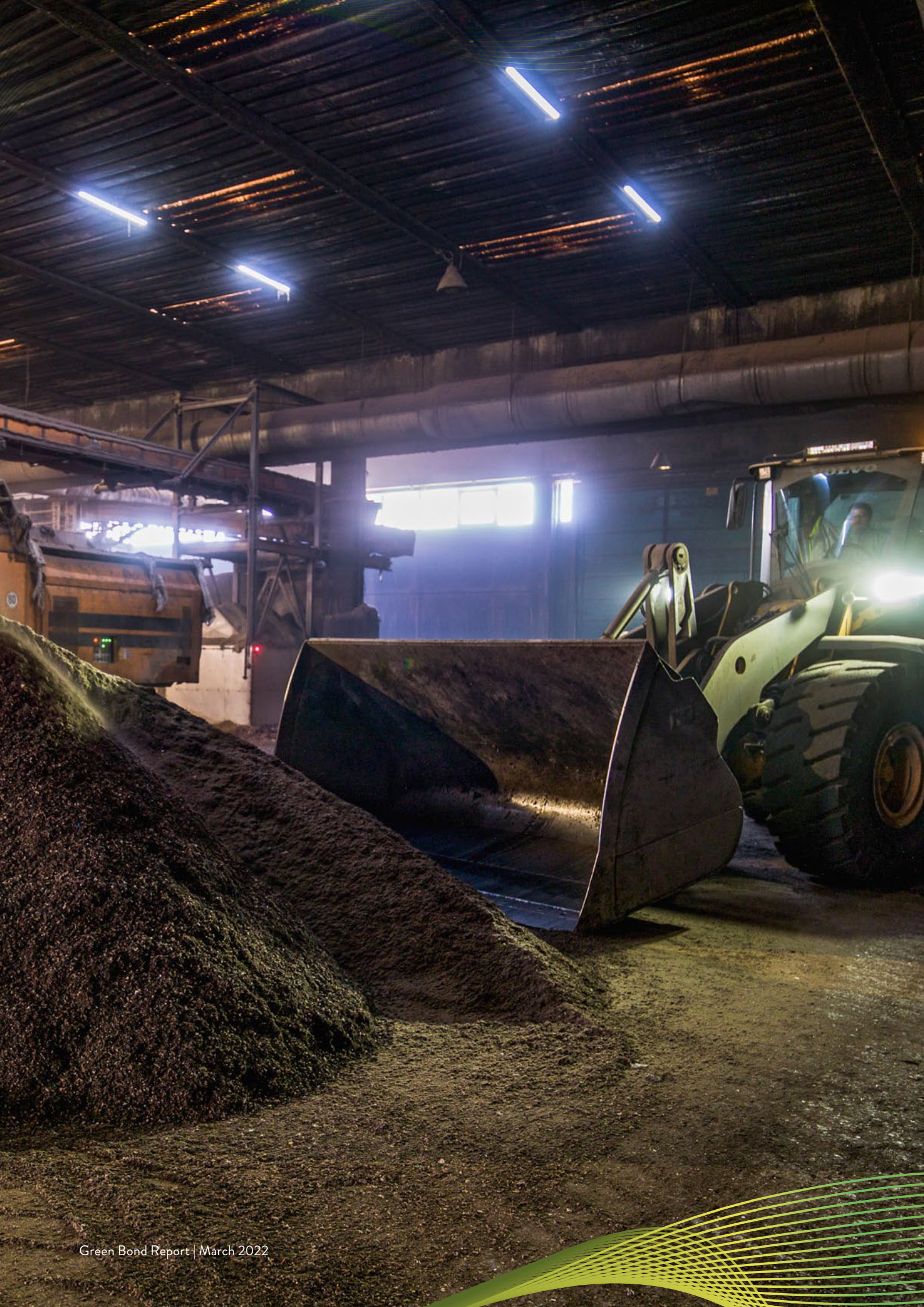
ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
0,4	0,32	0,08

Environmental performance indicators

KPI	UOM	2020
% upgrading intervention advancement upgrading for North and East Rome	%	35
Biomethane introduced in the network	Sm3	
Averted emissions (*)	tCO_2	

(*) The increased conditions for the environment are linked to the consumers that use biomethane as an alternative with respect to the traditional methane. The calculation refers to the conversion factor of natural gas (methane) published by ISPRA, Table of national parameters for the calculation of 2020 emissions (over 2019 data).

NB: The environmental performance indicators will be available once the upgrading of the purifiers is complete.



AXIS	CATEGORY
Circular Economy	Anaerobic Digestion of Bio-waste and/or Sewage Sludge
Short Description	
Facilities and services related to composting of bio-waste	

10 - Production of renewable energy through composting plants

Acea Ambiente owns an integrated system of waste management and two plants aimed at specifically creating compost, where it is also possible to gather electric and thermal energy in the anaerobic digestion sections, thanks to specific realised and undergoing investments. The organic matrix coming into the anaerobic digestion section in fact gets biologically degraded and thus produces biogas, caught to produce 100% renewable energy for the market.

PROJECT STATUS: ongoing
LOCATION: Latium, Umbria and Tuscany, Italy
GREEN BOND ALLOCATION

ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
48,62	43,20	5,42

Environmental performance indicators

KPI	UOM	2020
Biogas based electric energy produced and served in the network	Mwh	18.715
Installed power	MW	6,96
Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants	MWh/t	0,1216
Averted emissions to produce electric energy (*)	tCO_2	6.737

(*) Calculations refer to the Terna 2019 national mix conversion factor.

AXIS	CATEGORY
Circular Economy	Waste Management
Short Description	
Infrastructure to increase the total waste management capacity	

11 - Increase in the waste treatment capacity

Acea aims at consolidating its positioning in the circular economy sector, reinforcing core businesses such as waste to energy (WtE) and composting, developing the waste to material (WtM) value chain for plastics and paper, for example, through the acquisition of material selection and treatment plants, and with a particular focus in the special waste category sector. All this entails different synergies between the Group's activities, for example, closing the water waste circle (sludge) also through waste-to-energy and the realisation of residual ashes recovery plants coming from the same waste-to-energy process.

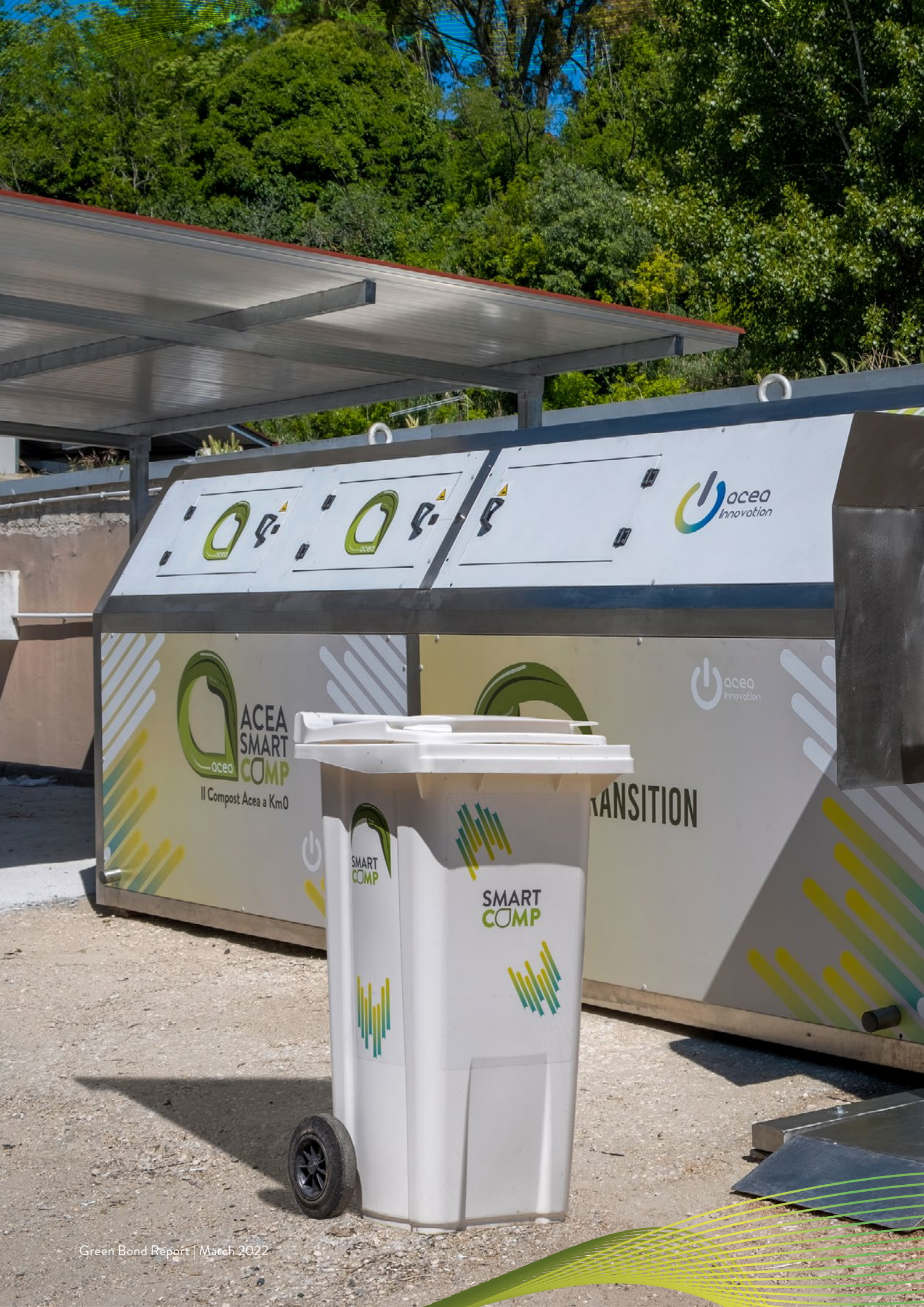
PROJECT STATUS: ongoing
LOCATION: Latium, Marche, Piedmont and Umbria, Italy
GREEN BOND ALLOCATION

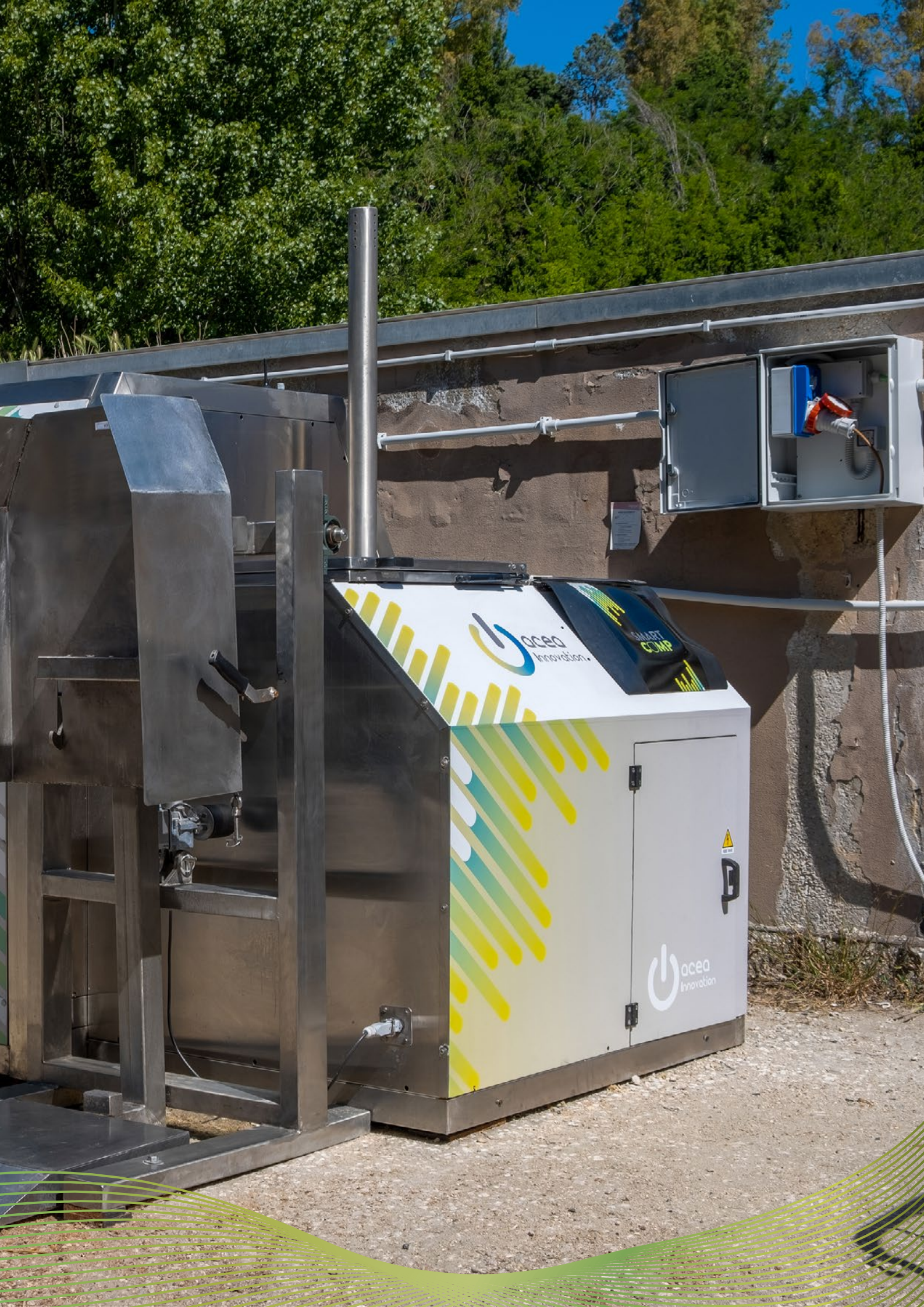
ALLOCATION		
Total financed amount (*€ million*)	**2019**	**2020**
39,71*	22,07	17,64

* of which M&A activities for Euro 21,6 million in 2019 and for Euro 16,0 million in 2020.

Environmental performance indicators

KPI	UOM	2020
Overall waste treatment capacity in the year	t	1.905.360
Treated waste for the year	t	1.449.110
Compost produced/waste sent to composting plants	%	8,45%
Secondary raw materials out of treatment plants/Waste coming in plants	t/t	147.542 / 184.182


acea
Innovation
ACEA
SMART
COMP
Il Compost Acea a Km0
SMART
COMP
SMART
COMP


acea
Innovation
SMART
COMP
acea
Innovation

AXIS	CATEGORY
Circular Economy	Waste Management
Short Description	
Installation of Smart composting systems	

12 - Acea Smart Comp

Among the initiatives that promote a circular economy, Acea has developed and trademarked an intelligent system equipped with IoT technology and movement sensors for zero kilometer composting. Research and development activities led Acea Elabori to the creation of a Smart Comp Unit prototype, which will form the basis of the new version Acea Smart Comp 2.0. The SmartComp composter is a small-scale plant which, through a completely automated process, takes 90 days to transform organic waste into quality-certified compost, sanitised and without pathogenic bacteria, ready to be used as fertilizer and soil conditioner. The local treatment of organic waste is thought for those who produce huge quantities of waste: markets, malls, airports, stations, canteens, etc. Acea SmartComp allows waste to be treated on site and thus avoids its transportation, reducing its cost and the relative emissions. The advanced integrated IoT technology automates the whole process, monitoring in real-time the state of transformation and various environmental data (temperature, humidity, interstitial gas, emissions, etc). Data gathered and analysed is given back to the client through a dedicated dashboard which shows the performance of the different indicators, such as removed CO_2 emissions and the quantity of produced compost. Acea Innovation has begun the commercialisation of the SmartComp.

PROJECT STATUS: ongoing
LOCATION: Latium, Italy
GREEN BOND ALLOCATION

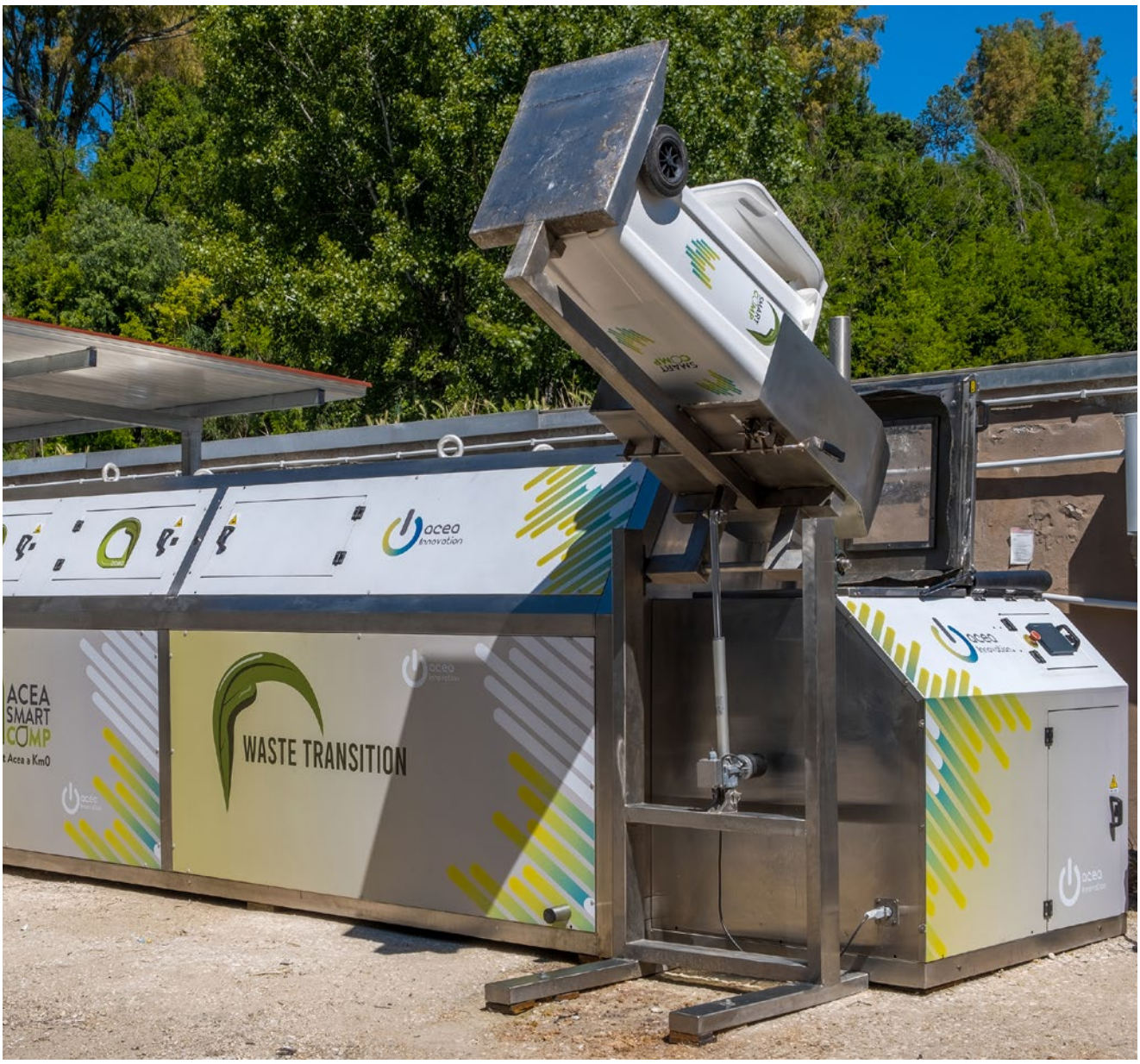
ALLOCATION		
Total financed amount (€ *million*)	**2019**	**2020**
0,67	0,14	0,53

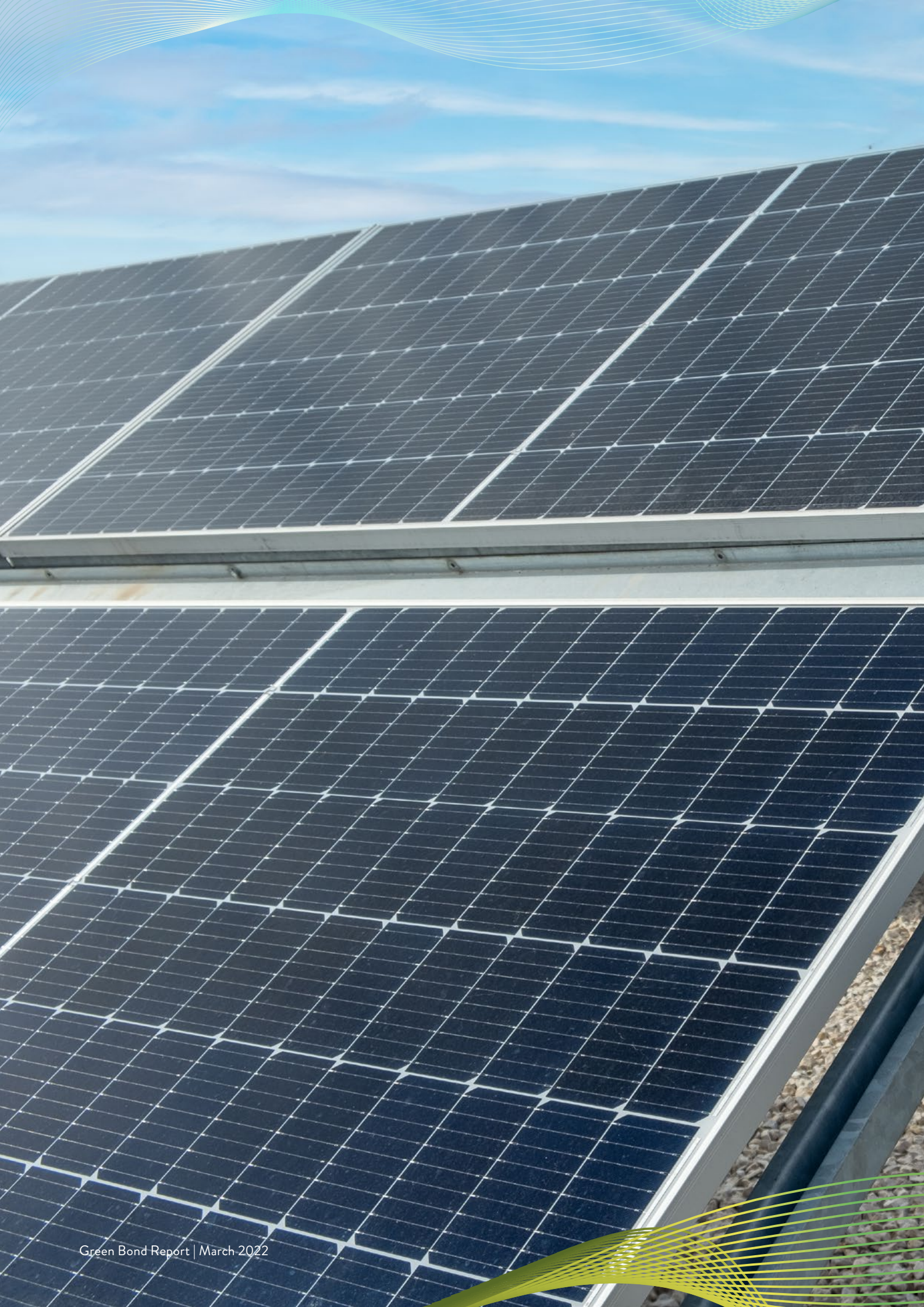
Environmental performance indicators

KPI	UOM	2020
Number of SmartComp installed	n.	-
Organic waste treated by SmartComp (*)	t	-
Produced compost by SmartComp (*)	t	-
Averted emissions (*)	t CO_2	-

(*) The environmental advancement represented are linked to consumers that installed SmartComp.

NB: Environmental KPIs will be available starting 2021.





AXIS	CATEGORY
Green Energy	Renewable Energy
Short Description	
Construction, acquisitions and development of photovoltaic plants and development of greenfield photovoltaic plants	

13 - Production of electric energy from photovoltaic sources

Acea embraced the journey of production of electric energy from renewable sources, in particular from photovoltaic sources, thanks to the acquisition and realisation of new plants, with the objective of achieving an overall 747MW installed capacity (178MW through M&A activities and 569MW through the construction of greenfield photovoltaic plants in industrial and rural areas)[2].

PROJECT STATUS: ongoing
LOCATION: Apulia, Basilicata, Latium, Marche, Piedmont, Sardinia and Sicily, Italy
GREEN BOND ALLOCATION

ALLOCATION		
total financed amount (*€ million*)	**2019**	**2020**
110,45*	54,91	55,54

* of which M&A activities for Euro 53,1 million in 2019 and for Euro 28,5 million in 2020.

Environmental performance indicators

KPI	UOM	2020
Installed power/Expected power	MW/MW	52/747
Gross production of electric energy	MWh	74,96
Averted emissions (*)	t CO_2	39.961

(*) The calculation of averted emissions refers to the emissions' intensity index provided by Acea Produzione coming from non-renewable sources in 2019. This data is multiplied by the photovoltaic energy produced during the year.

2 On December 2021 Acea announced that it has entered into an agreement with Equitix, a British infrastructure investment company, for the sale of a majority stake in the NewCo in which Acea's photovoltaic assets, both in operation as well as those in the process of being connected to Italy's national grid, have been contributed. Equitix is to acquire a 60% interest in the newly established company to which the photovoltaic assets currently owned by Acea Sun Capital are to be transferred.

Annex I – Total allocated amounts per Project Card (2019-2020)

AXIS	CATEGORY	PROJECT CARD	2019 (M€)	2020 (M€)	TOTAL (M€)
Water Management	Water Resource Protection	1 - Water losses reduction	38,28	60,94	99,22
		2 - Interventions to increment the water system resilience and the security of water supply	22,94	15,27	38,21
Energy Efficiency	Resiliency of electricity distribution infrastructure	3 - Energy efficiency in the electricity distribution	13,5	6,3	19,8
		4 - Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions.	30,57	52,07	82,64
	Clean Transportation and Infrastructure for Low Carbon Transport	5 - Electric mobility and related services	-	0,97	0,97
		6 - Environmental impact reduction from the vehicles of the company's fleet	-	2,71	2,71
	Smart Meters	7 - Substitution of 2G meters in the electricity distribution service	-	5	5
Circular Economy	Wastewater Treatment	8 - Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency)	12,12	24,62	36,74
	Anaerobic Digestion of Bio-waste and/or Sewage Sludge	9 - Biomethane production from purification plants	0,32	0,08	0,4
		10 - Production of renewable energy through composting plants	43,2	5,42	48,62
	Waste Management	11 - Increase in the waste treatment capacity	22,07	17,64	39,71
		12 - Acea Smart Comp	0,14	0,53	0,67
Green Energy	Renewable Energy	13 - Production of electric energy from photovoltaic sources	54,91	55,54	110,45
Total			238,05	247,09	485,14

Annex II – Impact KPI per Axis (2019-2020)

AXIS	CATEGORY	PROJECT CARD	KPI	UOM	2020
Water Management	Water Resource Protection	1 - Water losses reduction	% Reduction of water volume lost (over 2019)	%	5
			Flow and pressure meters installed during the year	N.	354
			Reclaimed water network during the year	km	136,2
			Districted water network during the year	km	7.000
		2 - Interventions to increment the water system resilience and the security of water supply	Advancement of the design/ authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" - Sub-project "New Marcio water system, lot #1"	%	10
			Advancement of the design/ authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" - Sub-project "Doubling Siphon VIII – segment Casa Valieria – exit Galleria Ripoli"	%	0
			Advancement of the design/ authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" - Sub-project "Monte Castellone conduct – Colle Sant'Angelo (Valmontone)"	%	0
			Advancement of the design/ authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" - Sub-project "Ottavia-Trionfale adducer"	%	0
			Interventions in pipeline/ interventions in the ATO2 scope	%	50
			Interventions in process/ interventions in the ATO2 scope	%	40
			Interventions completed/ interventions in the ATO2 scope	%	10

Energy Efficiency	Resiliency of electricity distribution Infrastructure	3 - Energy efficiency in the electricity distribution networks' management	Saved electricity/Distributed electricity	MWh/MWh	1.770/9.070.469
			Avoided emissions	tCO_2	637
			TOE saved	TOE	331
		4 - Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions.	Annual % variation of the IRI (intervention Risk Index)=after intervention value/before intervention value)	%	-25
			Activation/Upgrade of Secondary Cabins' automation and telematic control	n.	582
			Broadband linked primary cabins / 70 primary cabins	n.	14/70
			Number of pylons removed	n./n.	22
			Recovered soil in highly-biodiverse areas	n.	275
	Clean Transportation and Infrastructure for Low Carbon Transport	5 - Electric mobility and related services	Installed charging columns	n.	not available in 2020
			Supplied certified electricity through Acea charging columns	MWh	not available in 2020
			Avoided emissions	tCO_2	not available in 2020
			Acea clients using the platform during the year	n.	not available in 2020
		6 - Environmental impact reduction from the vehicles of the company's fleet	Avoided emissions	tCO_2	5,2
			Number of electric vehicles from Areti / total number of vehicles from Areti	n./n.	125/908
	Smart Meters	7 - Substitution of 2G meters in the electricity distribution service	Number of 2G meters installed during the year	n.	59.275
			Installed 2G smart meters / total meters	%	3,5%

Circular Economy	Wastewater Treatment	8 - Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency)	Total sludge (solid and liquid)	t	78.934
			Reduction with respect to base year (2019)	%	21,3
			Percentage increase of the purifying capacity with respect to base year (2019)	%	3,7
			Dismissed-centralised plants	n.	7
			AE interested in the centralisation of purifiers	AE	15.730
			Avoided emissions thanks to energy savings in the purifying compartment	tCO_2	399,6
	Anaerobic Digestion of Bio-waste and/or Sewage Sludge	9 - Biomethane production from purification plants	% upgrading intervention advancement upgrading for North and East Rome	%	35
			Biomethane introduced in the network	Sm3	not applicable before upgrading completion
			Avoided emissions	tCO_2	not applicable before upgrading completion
		10 - Production of renewable energy through composting plants	Biogas based electric energy produced and served in the network	Mwh	18.715
			Installed power	MW	6,96
			Gross electric energy produced/ waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants	MWh/t	0,1216
			Avoided emissions to produce electric energy	tCO_2	6.737
	Waste Management	11 - Increase in the waste treatment capacity	Overall waste treatment capacity in the year	t	1.905.360
			Treated waste for the year	t	1.449.110
			Compost produced/waste sent to composting plants	%	8,45
			Secondary raw materials out of treatment plants/Waste coming in plants	t/t	147.542 / 184.182
		12 - Acea Smart Comp	Number of SmartComp installed	n.	not available in 2020
			Organic waste treated by SmartComp	t	not available in 2020
			Produced compost by SmartComp	t	not available in 2020
			Avoided emissions	tCO_2	not available in 2020
Green Energy	Renewable Energy	13 - Production of electric energy from photovoltaic sources	Installed power/Expected power	MW/ MW	52/747
			Gross production of electric energy	MWh	74,96
			Avoided emissions	tCO_2	39.961


acea
gruppo.acea.it

EXTERNAL REVIEW
Ex-post Impact reporting

"Green Bond Allocation and Impact Report" Acea

04 April 2022

VERIFICATION PARAMETERS

Type(s) of reporting	Green Bond Allocation and Impact
Relevant standard(s)	Harmonized Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA) (as of June 2021)
Scope of verification	Acea's "Green Bond Allocation and Impact Report" (as of 21.03.2022) Acea's Green Financing Framework (as of 16.01.2021)
Lifecycle	Post-issuance verification
Validity	As long as no material changes are undertaken by the issuer to its "Green Bond Allocation and Impact Report" as of 21.03.2022

© 2022 | Institutional Shareholder Services and/or its affiliates

CONTENTS

SCOPE OF WORK

Acea S.p.A. (''Acea'' or ''the issuer'') commissioned ISS ESG to provide an External Review on its "Green Bond Allocation and Impact Report" by assessing:

1. The alignment of the Acea's "Green Bond Allocation and Impact Report" with the commitments set forth in Acea Green Financing Framework (16.01.2021 version) assessed against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) applicable at date of publication of the Framework.
2. Acea's "Green Bond Allocation and Impact Report" - benchmarked against Harmonized Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA) updated as of 06.2021.
3. Description of proceeds allocation and of the soundness of reporting indicators – whether the metrics align with best market practices and are relevant to the Green Bonds issued.

ACEA BUSINESS OVERVIEW

Acea is an Italian multi-utility company. Founded in 1909, it is active in the areas of integrated water management, electricity production, distribution and sales and value-added environmental services. The company's main activities are in Central Italy, but it also active in other Italian regions and in Latin America.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
Part 1 **Alignment with the Issuer's commitments set forth in the Framework**	ISS ESG finds that Acea's "Green Bond Allocation and Impact Report" meets the issuer's own commitments set forth in the Green Financing Framework. The underlying issuance(s) aligns with key requirements defined by the Green Bond Principles[1].	**Aligned**
Part 2: **Alignment with the Harmonized Framework for Impact Reporting (HFIR)**	ISS ESG finds that the "Green Bond Allocation and Impact Report" is in line with ICMA's Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021, as administered by International Capital Market Association (ICMA). The Issuer follows core principles and where applicable key recommendations. Acea has reported on an annual basis. The company has defined an extensive list of impact indicators covering all financed projects. Allocated proceeds are reported on a project-by-project basis.	**Aligned**
Part 3: **Disclosure of proceeds allocation and evaluation of the soundness of Reporting Indicators**	ISS ESG finds that the allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible projects as proposed in the Framework[2]. The reporting indicators align with the The Reporting Indicators are relevant and align with the reporting criteria set forth in the Issuer's Framework. Data sourcing, methodologies of quantitative assessment, the baseline selection and granularity reflect best market practices.	**Positive**

[1] The Framework was assessed by ISS ESG as aligned with the Green Bond Principles as of 16.01.2021.
[2] ISS ESG bases its assessments wholly on the information provided in the allocation reporting and has not conducted any verification of the legitimacy of the details reported.

ISS ESG EXTERNAL REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN FINANCING FRAMEWORK[3]

The following table presents ISS ESG's assessment of the "Green Bond Allocation and Impact Report" against the commitments set forth in Acea's Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

CORE GBP/SBP REQUIREMENT OR BEST MARKET STANDARD	ACEA'S GREEN FINANCING FRAMEWORK	ACEA'S "GREEN BOND ALLOCATION AND IMPACT REPORT"	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds			
1.1. Alignment with project categories defined by the GBP	The net proceeds will be exclusively allocated to finance or re-finance projects in the following categories: • Water resource protection • Resiliency of electricity distribution infrastructure • Clean transportation and infrastructure for low carbon transport • Smart meters • Wastewater treatment • Anaerobic digestion of bio-waste and/or sewage sludge • Waste treatment • Renewable energy	In accordance with the eligibility criteria established in the Framework, the proceeds have been used to finance or re-finance projects in the following categories: • Water resource protection • Resilience of electricity distribution infrastructure • Clean transportation and infrastructure for low carbon transport • Smart meters • Wastewater treatment • Anaerobic digestion of bio-waste and/or sewage sludge • Waste management • Renewable energy	✓
1.2. Sustainability objectives related to project categories	Environmental objectives and benefits are defined for each project category in Acea's Framework.	A detailed description of core environmental impacts for each target area is available in the report.	✓

[3] ISS ESG assessed the Acea Green Financing Framework as aligned with the GBP (06.2018 version) as of 16.01.2021.

1.3. Refinancing/ Financing	An amount equal to the net proceeds of the Bonds will be exclusively allocated to finance or re-finance, in whole or in part, new and/or existing loans/projects. "Eligible Green Projects include refinancing and new financings of capital expenditures, selected operating expenditures such as maintenance costs related to green assets and, where applicable, research and development expenditures."	As of 31.12.2020, 54,6% of the overall net proceeds, equivalent to allocated Euro 485,14 million, has been allocated to re-finance existing loans/projects. The Group expects to allocate the remaining 45,4% of the overall net proceeds by 2023.	✓
1.4. Exclusion of harmful project categories	Acea will not allocate proceeds received from the issuance of Green Bonds to recipients either directly finance and/or refinance any projects related to fossils fuel activities and any energy production facilities with an energy intensity above 100gCO2e/kWh.	The proceeds have been not allocated in any of the excluded categories listed.	✓
2. Process for project evaluation and selection			
2.1 Defined and transparent criteria for eligible Green categories	Acea's Green Finance Working Group is chaired by the CFO and is composed by members of the Finance, Planning & Control and Sustainability Planning & Reporting departments. Acea's Green Finance Working Group will be in charge of monitoring the selection and allocation process as per the eligibility criteria defined.	According to the Green Bond Allocation and Impact Report, the Eligible Green Projects were designated by the Green Finance Working Group (GFWG).	✓
2.2 Summary criteria for project evaluation and selection publicly available	The eligibility criteria are made publicly available.	The eligibility criteria are made publicly available.	✓
2.3 Documented process to determine	Projects financed and/or refinanced through the Green Bonds issued under Green	Projects financed and/or refinanced through the Green Bonds issued under Green	✓

	whether projects fit within defined categories	Financing Framework are evaluated and selected based on compliance with the Eligibility Criteria set in "Use of Proceeds" section. In the case of operating expenditures, Acea includes a look-back period of up to 3 calendar years prior to the issuance of Green Bonds.	Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria.	
2.4	Documented process to identify and manage potential ESG risks	All potential Eligible Green Projects comply with local laws and regulations, including any applicable regulatory environmental requirements, as well as Acea's internal standards for managing ethical and governance risks.	Projects financed and/or refinanced through the Green Bonds issued under Green Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria. If the Sustainability department deems that an eligible project becomes subject to a major ESG controversy, the GFWG will analyse it and may decide to exclude and replace such Eligible Green Project. All projects comply with regulatory requirements according to the issuer	✓
2.5	Information on responsibilities and accountability	The potential Eligible Green/Social Projects will be designated by the GFWG.	The Eligible Green Projects were designated by the GFWG.	✓
2.6	Stakeholder involved in the process	The potential Eligible Green Projects will be designated by the GFWG.	Various stakeholders are involved throughout the process.	✓
3. Management of Proceeds				
3.1	Green Bond proceeds tracked in an appropriate manner	Acea will manage the net proceeds of the Green Bonds on a portfolio basis. Within two years of each Green Bond issuance, Acea aims to allocate an amount equivalent to the net proceeds of these instruments towards its Eligible Green Projects, as defined in the "Use of Proceeds" section.	Acea has allocated 485,14 million of the 888,2 million raised in two issuances. The allocation is monitored through Enterprise Resource Planning tools.	✓

3.2 Disclosure of intended types of temporary investment instruments for unallocated proceeds	Pending the full allocation of the net proceeds of the Green Bonds to the portfolio of Eligible Green Projects, Acea will manage the unallocated proceeds in line with the Acea's investment guidelines in cash, deposits and money market instruments or Socially Responsible Investments Acea intends to allocate the full amount of proceeds within the next 24 months following the issuance of the Green Bonds.	All the unallocated proceeds at 31 December 2021 have been temporarily invested into cash and short-term time deposits.	
4. Reporting			
4.1 Formalisation of monitoring and reporting processes	Acea will report annually, until full allocation of the net proceeds, on the allocation of its net proceeds of issued Green Bonds to its portfolio of Eligible Green Project.	Acea has reported on the allocation of its net proceeds on an annual basis.	
4.2 Use of Proceeds reporting	The allocation report will include details on: • the amount of net proceeds allocated per Eligible Green Project category • the percentage of refinancing in existing projects, • the amount of unallocated proceeds, if any, at the date of reporting, • location and status of the projects.	The section "Allocation reporting" of the "Green Bond Allocation and Impact Report" complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBP. *Further analysis of this section of the report is displayed in Part III of this report.*	✓
4.3 Impact reporting	Acea will report on environmental impacts of the Eligible Green Projects (re)financed by the net proceeds of the Green Bonds. The impact report will provide information regarding Eligible Green Projects	The section "Impact Reporting" of the "Green Bond Allocation and Impact Report" complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBP. *Further analysis of this section is available in Part III of this report.*	✓

	Additional impact indicators are subject to availability of data and could include: • Estimated annual reduction in volume of water losses (m3/year), • Estimated annual reduction in energy consumption (% or MWh/year) • Estimated annual reduction in GHG emission (tCO2e/year).		
4.4 Means of disclosure: where the information is published	Acea commits to publish annually an allocation report and an impact report. This information will be publicly available on the Acea's website and/or in Acea's non-financial reporting.	The report is intended to be publicly available.	✓
4.5 External review	A Second Party Opinion (SPO) will be issued by an independent external verifier in order to provide an external verification on Acea's Green Financing Framework.	ISS ESG has provided a Second Party Opinion (SPO) on Acea's Green Financing Framework.	✓

Opinion: *ISS ESG finds that the "Green Bond Allocation and Impact Report" meets the general conditions set forth in Acea's Green Financing Framework. Most core components as defined by ICMA have been considered in the Framework and have then been transposed accordingly in the "Green Bond Allocation and Impact Report".*

PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORTING (HFIR)

Reporting is a core component of the GBP and green bond issuers are required to report on both the use of green bond proceeds, as well as the expected environmental impacts at least on an annual basis. Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021, as administered by International Capital Market Association (ICMA) has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of an ISS ESG assessment of Acea "Green Bond Allocation and Impact Report" against ICMA Harmonized Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	"GREEN BOND ALLOCATION AND IMPACT REPORT"	ASSESSMENT
Report on both the use of Green bonds proceeds, as well as the expected environmental impacts at least on an annual basis.	Acea has reported on an annual basis. The report will be available on Acea's website.	✓
Illustrate the expected impact made possible as a result of projects to which green bond proceeds have been allocated.	The assessment and measurement of the impacts generated by Acea Green Bonds covered the following areas: **<u>Water resource protection</u>** **Water losses reduction** • % Reduction of water volume lost (over 2019) • Flow and pressure meters installed during the year • Reclaimed water network during the year • Districted water network during the year **Interventions to increment the water system resilience and the security of water supply** • Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system"- Sub-project "New Marcio water system, lot #1" • Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system"- Sub-project "Doubling Siphon VIII – segment Casa Valieria – exit Galleria Ripoli" • Advancement of the design/authorisation phase of the longer-term interventions "Securing and	✓

modernisation of the Peschiera water system" - Sub-project "Monte Castellone conduct – Colle Sant'Angelo (Valmontone)"
- Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system" - Sub-project "Ottavia-Trionfale adducer" Interventions in pipeline/interventions in the ATO2 scope
- Interventions in process/interventions in the ATO2 scope
- Interventions completed/interventions in the ATO2 scope

Resilience of electricity distribution Infrastructure

Energy efficiency in the electricity distribution networks' management

- Saved electricity/Distributed electricity
- Avoided emissions
- TOE saved

Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions

- Annual % variation of the IRI (intervention Risk Index) = after intervention value/before intervention value)
- Activation/Upgrade of Secondary Cabins' automation and telematic control
- Broadband linked primary cabins/70 primary cabins
- Number of pylons removed
- Recovered soil in highly-biodiverse areas

Clean Transportation and Infrastructure for Low Carbon Transport

Electric mobility and related services

- Installed charging column
- Supplied certified electricity through Acea charging columns
- Avoided emissions
- Acea clients using the platform during the year

Environmental impact reduction from the vehicles of the company's fleet

- Avoided emissions
- Number of electric vehicles from Areti/total number of vehicles from Areti

Smart Meters

Substitution of 2G meters in the electricity distribution service

- Number of 2G meters installed during the year
- Installed 2G smart meters/total meters

Wastewater Treatment

Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency)

- Sludge reduction
  - Total sludge (solid and liquid)
  - Reduction with respect to base year (2019)
- Rationalisation of purifying plants
  - Percentage increase of the purifying capacity with respect to base year (2019)
  - Dismissed-centralised plants
  - AE interested in the centralisation of purifiers,
- Energy efficiency interventions
  - Avoided emissions thanks to energy savings in the purifying compartment

Anaerobic Digestion of Bio-waste and/or Sewage Sludge

Biomethane production from purification plants

- % upgrading intervention advancement upgrading for North and East Rome
- Biomethane introduced in the network
- Avoided emissions

Production of renewable energy through composting plants

	• KPI, Biogas based electric energy produced and served in the network • Installed power • Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants • Avoided emissions to produce electric energy **<u>Waste Management</u>** **Increase in the waste treatment capacity** • Overall waste treatment capacity in the year • Treated waste for the year • Compost produced/waste sent to composting plants • Secondary raw materials out of treatment plants/Waste coming in plants **Acea Smart Comp** • Number of SmartComp installed • Organic waste treated by SmartComp • Produced compost by SmartComp • Avoided emissions **<u>Renewable Energy</u>** **Production of electric energy from photovoltaic sources** • Installed power • Expected power Gross production of electric energy • Avoided emissions	
Issuers should be transparent on how they report all green bond-related cash-flows in one currency when they allocate green bond proceeds and report on the projects to which green bond proceeds have been allocated.	Allocated and unallocated proceeds have been reported in a single currency. Projects on which proceeds have been allocated have been disclosed.	✓

RECOMMENDATIONS

ICMA HFIR	"GREEN BOND ALLOCATION AND IMPACT REPORT"	ASSESMENT
Define and disclose the period and process for including projects in their report	Acea has allocated EUR 485,14 million of the EUR 888,2 million raised in two issuances. It will allocate the full amount of use of proceeds from the bonds within 24 months of issuance.	✓
Indicate the total signed amount and the amount of environmental bonds proceeds allocated to eligible disbursements.	Acea has allocated EUR 485,14 million of the EUR 888,2 million raised in two issuances.	✓
Put in place a formal internal process for the allocation of proceeds linked to their lending and investment operations for Green Projects and to report on the allocation of proceeds.	The Issuer followed a transparent process for selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the Green Bonds issued under Green Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria as set under paragraph 3.1 Use of Proceed of Acea's Framework.	✓
Provide a list of projects to which environmental bonds proceeds have been allocated, or report solely on a portfolio level	The "Green Bond Allocation and Impact Report" includes the total amount of proceeds allocated per eligible project category, type within categories and per geographical breakdown (country, region).	✓
Describe the approach to impact reporting	The issuer identifies the specific eligible projects and clearly defines, for each project, the total project's allocated proceeds and associated impact indicators.	✓
Report the estimated lifetime results and/or project economic life (in years)	The Issuer has not disclosed this information.	○
Ex-post verification of specific projects	The Issuer does not sample ex-post verification of specific projects.	N/A
Report on at least a limited number of sector specific core indicators for projects included in their green bond programmes	Acea has reported on sector specific indicators for the projects financed.	✓
For the calculation of indicators, where there is no single commonly-used standard, issuers may follow their own methodologies while making these available to investors.	Acea's calculation methodology for its impact indicators is broadly in line with what suggested by the HFIR.	✓
Elect, for consistency reasons, to convert units	No conversion factor has been included as it was not needed.	N/A

reported for individual projects. Disclosure on the conversion approach		
Be transparent about projects with partial eligibility	No projects with partial eligibility are currently financed by Acea under its Green Bond Framework.	N/A
In case the expected impacts of different project components may not be reported separately, issuers may attribute the results to each component based on their relative share in the related financing, disclosing the attribution approach	The expected impacts of different project components are reported separately.	N/A

Opinion: *ISS ESG finds that Acea follows the ICMA Harmonized Framework for Impact Reporting (HFIR) core principles and key recommendations. The issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best practices. Acea has reported on an annual basis. The company has defined an extensive list of impact indicators covering all financed projects. Allocated proceeds are reported on a project-by-project basis.*

PART III: DISCLOSURE OF PROCEEDS ALLOCATION REPORTING AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Methodology note: *ISS ESG's review does not follow auditing or assurance standards or guidance. ISS ESG does not provide assurance on the information presented in Acea "Green Bond Allocation and Impact Report". ISS ESG solely conducted a review of the Use of Proceeds' allocation and impact reporting against ICMA's Harmonized Framework for Impact Reporting (HFIR core principles and recommendations and criteria outlined in the issuer Framework).*

Use of Proceeds Allocation

ISS ESG has relied on the information and the facts disclosed by Acea with respect to the "Green Bond Allocation and Impact Report" and thus cannot be held responsible or liable if any of the conclusions, including details of projects, it has represented in this document are incorrect due to inaccurate or erroneous data provided by Acea. ISS ESG`s procedures included a review of the Use of proceeds' allocation reporting against ICMA Green Bond Principles core recommendations on the level, scope and information to be provided in the allocation reporting, on the basis of the documentation provided by the issuer, which remains the sole liable party for the accuracy of information made available.
Use of proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective use of proceeds categories. The Issuer reported on the Use of Proceeds allocation on an annual basis.

Proceeds not yet allocated to Eligible Projects

There is also transparency around the amount of unallocated proceeds. Proceeds that have not been allocated have been temporarily invested into cash and short-term time deposits.

Proceeds allocated to Eligible Projects

The proceeds' allocation is broken down by eligible type of project. Details on geographies and status are provided. Proceeds allocation has been reported at the portfolio level. The issuer has provided detail about the type of projects included in the portfolio.

ISS ESG finds that the allocation report section of the "Green Bond Allocation and Impact Report" of Acea aligns with good market practices by providing information on:

- The types of projects re-financed
- The total amount of proceeds in million euros (divided per environmental assets)

Impact Reporting Indicators

ISS ESG finds that the impact indicators used by "Green Bond Allocation and Impact Report" of Acea align with good market practices using ICMA's recommended metrics, either in the HFIR or the WTHFIR. The issuer measures and discloses relevant indicators for each Use of Proceeds category. The table below presents an assessment conducted by ISS ESG referring to key recommendations of the ICMA Harmonised Framework for Impact Reporting or Working Towards a Harmonized Framework for Impact Reporting for Social Bonds.

ELEMENT	ASSESSMENT
Relevance	The impact indicators chosen by the issuer for this bond are the following: Water losses reduction: • % Reduction of water volume lost (over 2019) • Reclaimed water network during the year Interventions to increment the water system resilience and the security of water supply: • Interventions completed/interventions in the ATO2 scope Energy efficiency in the electricity distribution networks' management: • Saved electricity/Distributed electricity • Avoided emissions • TOE saved Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions: • Recovered soil in highly-biodiverse areas Electric mobility and related services: • Installed charging column • Supplied certified electricity through Acea charging columns • Avoided emissions Environmental impact reduction from the vehicles of the company's fleet: • Avoided emissions Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency): <u>Sludge reduction</u> • Total sludge (solid and liquid)

- Reduction with respect to base year (2019)
  Rationalisation of purifying plants
- Percentage increase of the purifying capacity with respect to base year (2019)
  Energy efficiency interventions
- Avoided emissions thanks to energy savings in the purifying compartment

Biomethane production from purification plants:

- % upgrading intervention advancement upgrading for North and East Rome
- Biomethane introduced in the network
- Avoided emissions

Production of renewable energy through composting plants:

- Biogas based electric energy produced and served in the network
- Installed power
- Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants
- Avoided emissions to produce electric energy

Increase in the waste treatment capacity:

- Overall waste treatment capacity in the year
- Treated waste for the year
- Compost produced/waste sent to composting plants
- Secondary raw materials out of treatment plants/Waste coming in plants

Acea Smart Comp:

- Organic waste treated by SmartComp
- Produced compost by SmartComp
- Avoided emissions

Production of electric energy from photovoltaic sources:

- Installed power
- Expected power Gross production of electric energy
- Avoided emissions

These indicators are qualitative and material to the Use of Proceeds categories financed through this bond and draw from the Suggested Impact Reporting metrics for Green Building Projects by the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds. Some indicators were designed by the issuer to capture the specificity of their projects. This aligns with best market practices.

Data sourcing and methodologies of quantitative assessment	For the impact indicator, the issuer calculates the uses internal methodologies and sourcing data from internal data systems. Some data are calculated using conversion factors provided by Italian nation-wide database.
Baseline selection	The impact data is compared with relevant baseline, where needed, as relevant internal data were used.
Scale and granularity	The impact data is presented at the Use of Proceed category level for the indicator(s).

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the issuer's "Green Bond Allocation and Impact Report", the impact indicator(s) adopted by Acea for its Green Bonds can be mapped to the following SDGs, according to the ICMA "A High -Level Mapping to the Sustainable Development Goals"[4].

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Water losses reduction: • % Reduction of water volume lost (over 2019) • Reclaimed water network during the year	
Interventions to increment the water system resilience and the security of water supply: • Interventions completed/interventions in the ATO2 scope	
Energy efficiency in the electricity distribution networks' management: • Saved electricity/Distributed electricity • Avoided emissions • TOE saved	

[4] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds-2020-June-2020-090620.pdf

Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions: • Recovered soil in highly-biodiverse areas	
Electric mobility and related services: • Installed charging column • Supplied certified electricity through Acea charging columns • Avoided emissions	
Environmental impact reduction from the vehicles of the company's fleet: • Avoided emissions	
Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency): <u>Sludge reduction</u> • Total sludge (solid and liquid) • Reduction with respect to base year (2019) <u>Rationalisation of purifying plants</u> • Percentage increase of the purifying capacity with respect to base year (2019)	
Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency): <u>Energy efficiency interventions</u> • Avoided emissions thanks to energy savings in the purifying compartment	
Biomethane production from purification plants: • % upgrading intervention advancement upgrading for North and East Rome • Biomethane introduced in the network	

• Avoided emissions	
Production of renewable energy through composting plants: • Biogas based electric energy produced and served in the network • Installed power • Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants • Avoided emissions to produce electric energy	
Increase in the waste treatment capacity: • Overall waste treatment capacity in the year • Treated waste for the year • Compost produced/waste sent to composting plants • Secondary raw materials out of treatment plants/Waste coming in plants	
Acea Smart Comp: • Organic waste treated by SmartComp • Produced compost by SmartComp • Avoided emissions	
Production of electric energy from photovoltaic sources: • Installed power • Expected power Gross production of electric energy • Avoided emissions	

DISCLAIMER

1. Validity of the External Review: As long as no material changes are undertaken by the issuer to its "Green Bond Allocation and Impact Report" as of 09.02.2022
2. ISS ESG uses a proprietary methodology to assess the post-issuance reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the External Review is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this External Review, certain images, text and graphics contained therein, and the layout and company logo of ISS ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the External Review wholly or in part, the distribution of the External Review, either free of charge or against payment, or the exploitation of this External Review in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG ("DB") owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital ("Genstar") and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at https://www.issgovernance.com/compliance/due-diligence-materials.

© 2022 | Institutional Shareholder Services and/or its affiliates

ANNEX: Methodology

ISS ESG Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, ISS ESG assesses the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG referring to common market guidelines.

High level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMAs Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, ISS ESG identifies the extent to which Hypo Tirol's Social Bond Impact reporting and project categories contributes to related SDGs.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/

For information on External Review services, contact: SPOsales@isscorporatesolutions.com

For more information on this specific "Green Bond Allocation and Impact Report" External Review, please contact: SPOOperations@iss-esg.com

Project team

Project lead	Project support	Project supervision
Marta Farina	Elena Johansson	Viola Lutz
Associate	Associate	Executive Director
ESG Consultant	ESG Consultant	Head of ISS ESG Climate Services