



acea



CONSOLIDATED



FINANCIAL STATEMENTS



ACEA GROUP



2021





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FINANCIAL STATEMENTS



ACEA GROUP



2021

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ACEA FINANCIAL STATEMENTS



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LETTER TO SHAREHOLDERS

Dear shareholders,

In a context that remains complex due to the pandemic and its effects on the economy and society, in addition to the worsening of the crisis caused by volatility on the energy market in the second half of the year, the 2021 results have recorded solid growth. The current situation was further exacerbated by the conflict in February, with more damage to the equilibrium, hurling us into a dramatic scenario, the real effects of which are currently difficult to predict. However, this new condition clarified the urgency to take action on energy procurement and to accelerate the ecological transition in terms of awareness, authorisation procedures and the concrete actions to be implemented.

With regard to the Covid-19 emergency, the Acea Group continues to confirm its full commitment shown at the start of the pandemic, ensuring the continuity and quality of the services provided and the many measures adopted to protect customers, stakeholders and its own people. This plan led to the achievement of the “Biosafety Trust Certification” for the prevention and control of the spread of infection. Worthy of mention is the opening, in May 2021, of a vaccination hub, which was identified by the Lazio Region as one of the main facilities of reference renowned for its great efficiency. The hub was also opened for vaccination and other healthcare opportunities for Ukrainian refugees.

The strategy that was implemented, supported by a solid financial structure, made it possible to continue developing the business with progressive growth in results across all areas, leading to a significant increase in the EBITDA, which surpassed the guidance revised upwards in 2021. This growth was supported by a significant investment plan and was further bolstered by the major industrial operations concluded in terms of the circular economy and the renewables sector. This was proof of the pursuit of sustainability principles, a key value and pillar of the Group’s development strategy. In this sense, we must also mention the work groups launched recently, alongside academic and technological partners, to define the path towards the long-term objectives set out by Agenda 2030, while including the relative projects in the ten-year Business Plan.

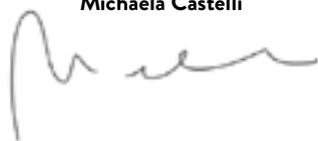
Again in terms of sustainability, there was an increase in the rating for the fourth year in a row in the comprehensive evaluation of the ESG performance by Gaia Rating. Numerous initiatives were also put in place, including the preparation of a Diversity & Inclusion Plan.

Acea overcame a two-year period marked by significant change, maintaining in 2021 its extraordinary commitment made in 2020, thus confirming its ability to plan and look ahead, the efficacy of its processes and the skills of its people, which, combined with a sense of responsibility and team spirit, allowed them to express their full potential. The recent Top Employers Italia 2022 certification is recognition of the policies adopted for this fundamental asset in terms of recruitment, training, professional development, welfare, inclusion and diversity.

In a scenario of volatility in the raw material prices and the energy market, Acea confirms its strategy involving major investments in infrastructure, with positive effects on the Group’s operating and economic performance, in addition to the maintenance of a solid financial structure.

We are certain that the plan for the business and human resources will allow Acea to continue to grow, while preserving its role as company of reference that can foster trust and meet the changing expectations of its stakeholders. A Group capable of interpreting the ecological transition in its broadest sense, by including economic and social aspects, so that this profound change can take place in the name of progress and leave no one behind.

The Chairperson
Michaela Castelli



The Chief Executive Officer
Giuseppe Gola





GROUP STRUCTURE

THE GROUP STRUCTURE, IN THE VARIOUS BUSINESS SEGMENTS, COMPRISES THE FOLLOWING MAIN COMPANIES.

WATER

- 96%** ACEA ATO 2
- 98%** ACEA ATO 5
- 99%** SARNESE VESUVIANO
37% GORI
- 100%** ACEA MOLISE
- 99%** UMBRIADUE SERVIZI IDRICI
40% SERVIZIO IDRICO INTEGRATO
- 99%** OMBRONE
40% ACQUEDOTTO DEL FIORA
- 77%** ACQUE BLU ARNO BASSO
45% ACQUE
- 75%** ACQUE BLU FIORENTINE
40% PUBLIACQUA
- 48%** GEAL
- 40%** UMBRA ACQUE
- 35%** INTESA ARETINA
46% NUOVE ACQUE
- 58%** GESESA
- 51%** ADISTRIBUZIONE GAS
55% NOTARESCO GAS

ENVIRONMENT

- 100%** ACEA AMBIENTE
 - 100%** DEMAP
 - 90%** AS RECYCLING
 - 80%** ISECO
 - 60%** BERG
 - 60%** CAVALLARI
 - 60%** FERROCART
 - 60%** MEG
 - 100%** DECO
 - 100%** ECOLOGICA SANGRO
- 85%** AQUASER
- 51%** ACQUE INDUSTRIALI
- 50%** ECOMED

GENERATION

- 100%** ACEA PRODUZIONE
 - 100%** ECOGENA
 - 49%** ENERGIA
 - 100%** ACEA SOLAR
 - 100%** ACEA RENEWABLE
 - 100%** ACEA SUN CAPITAL
 - 100%** ACEA GREEN
 - 100%** KT4
 - 100%** SOLARIA REAL ESTATE
 - 100%** TRINOVOLT
 - 100%** MARCHE SOLAR
 - 100%** EUROLINE 3
 - 100%** IFV ENERGY
 - 100%** PF POWER OF FUTURE
 - 100%** JB SOLAR
 - 100%** M2D
 - 100%** SOLARPLANT
 - 100%** FERGAS
 - 49%** BELARIA

ENERGY INFRASTRUCTURE

- 100%** ARETI

COMMERCIAL AND TRADING

- 100%** ACEA ENERGIA
50% UMBRIA ENERGY
- 100%** ACEA ENERGY MANAGEMENT
- 100%** ACEA INNOVATION

OVERSEAS

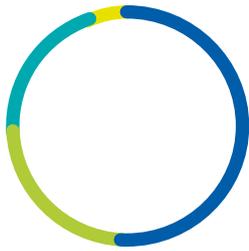
- 100%** ACEA INTERNATIONAL
 - 100%** ACEA DOMINICANA
 - 100%** ACEA PERÙ
 - 61%** AGUAS DE SAN PEDRO
 - 100%** CONSORCIO ACEA-ACEA DOMINICANA
 - 44%** CONSORCIO AGUA AZUL
- 51%** AGUAZUL BOGOTÀ

ENGINEERING AND SERVICES

- 100%** ACEA ELABORI
70% SIMAM
- 100%** TECHNOLOGIES WATER SERVICES
- 44%** INGEGNERIE TOSCANE

INVESTOR RELATIONS

THE SHARE CAPITAL OF ACEA SPA AT 31 DECEMBER 2021 WAS MADE UP AS FOLLOWS:



51.00% Roma Capitale
23.33% Suez
20.22% Market
5.45% Caltagirone

Chart only shows equity investments of more than 3%, as confirmed by CONSOB data.

ACEA SHARE PERFORMANCE IN 2021



(chart normalised to Acea share price - Source: Bloomberg)

CORPORATE HIGHLIGHTS



WATER

NUMBER ONE OPERATOR

in Italy for water services

with about **9 mln** residents served in Latium, Tuscany, Umbria, Campania and Molise



ENERGY INFRASTRUCTURE

ONE OF THE LEADING

energy distribution operators in Italy

with over **9 TWh** of energy distributed



GENERATION

ONE OF THE LEADING

Italian players in the energy generation from renewable sources

with over **1 TWh** of energy produced



COMMERCIAL AND TRADING

ONE OF THE LEADING

national players in the energy market

with about **8.3 TWh** of electricity sold



ENVIRONMENT

LEADING OPERATOR

in Italy in Waste Management

with about **1.52 mln tons** of waste managed



OVERSEAS

4 companies operating in water services

serving **10 mln** residents in Latin America



ENGINEERING AND SERVICES

FOUR DEDICATED COMPANIES

444,838 drinking water analysis

193,107 waste water analysis

FINANCIAL HIGHLIGHTS

Figures in € million.

CONSOLIDATED REVENUES

2021	<input type="text"/>	3,972
2020	<input type="text"/>	3,379

EBITDA

2021	<input type="text"/>	1,256
2020	<input type="text"/>	1,155

EBIT

2021	<input type="text"/>	581
2020	<input type="text"/>	535

PROFIT BEFORE TAX

2021	<input type="text"/>	503
2020	<input type="text"/>	461

NET PROFIT OF THE GROUP

2021	<input type="text"/>	313
2020	<input type="text"/>	285

GROUP INVESTMENTS

2021	<input type="text"/>	931*
2020	<input type="text"/>	886**

* net of financed investments and net of investments in discontinued operations.

** net of financed investments.

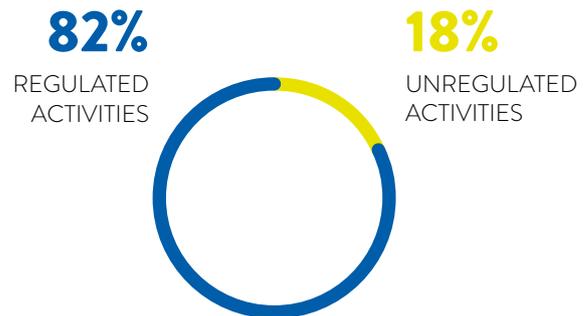
ACEA ORGANISATIONAL MODEL

ACEA adopts an operational model based on an organisational layout in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macrostructure is based around the corporate functions and seven industrial areas – Environment, Commercial and Trading, Water, Energy Infrastructure, Engineering and Services and Overseas.

The activities of each business segment are described below.

Figures are in € million.

EBITDA 2021
€ 1,256_{mln}



WATER

The ACEA Group is the top Italian operator in the water sector serving 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria, Campania and Molise. The Group is also present in Abruzzo as it has entered the natural gas distribution market in the Municipality of Pescara and in the province of L'Aquila.

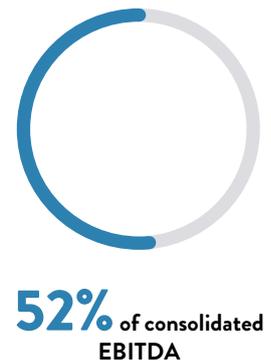
NUMBER ONE OPERATOR IN ITALY

- About 9 mln residents served and 1,360 mln cubic meters of water supplied annually
- About 59,100 km of drinking water supply network and 23,900 km of sewer network managed
- Management of the entire integrated water cycle supply chain, from collection of water through to its return to the environment
- Design, construction and operation of distribution plants and networks using innovative technologies
- Focus on the protection of water and sustainability

EBITDA +6.7%



INVESTMENTS +9.7%



** net of financed investments.



ENERGY INFRASTRUCTURE

The ACEA Group is a major operator in Italy with about 9 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of more than 227,600 lights. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

ONE OF THE LEADING OPERATORS IN ITALY

- Electricity distributed: 9.172 TWh in the city of Roma and surroundings municipalities (Formello, Fiumicino and others)
- Energy supplied in areti network: 9.83 TWh
- Management of public and artistic lighting: 201,215 lights



30% of consolidated EBITDA

EBITDA +1.1%

2021		372
2020		368

INVESTMENTS -4.1%

2021		274
2020		286



GENERATION

The Acea Group is one of the main national operators in the field of generation from renewable sources and is involved in energy efficiency projects and energy solutions in the business segment.

It is particularly focused on finding innovative approaches to managing production assets and implementing new production capacity that reduces the Group's carbon footprint.

ONE OF THE LEADING OPERATORS IN ITALY

- Energy efficiency projects
- Hydroelectric power stations: 121 MW
- Thermoelectric plants: 107 MW
- Photovoltaic plants: 72.5 MWp
- Photovoltaic plants under development: 800 MW



6% of consolidated EBITDA

EBITDA +75.2%

2021		79
2020		45

INVESTMENTS -41%

2021		23^{***}
2020		39

*** net of investments in discontinued operations.



COMMERCIAL AND TRADING

The ACEA Group is one of the leading Italian players in the sale of electricity and offers innovative and flexible solutions for the supply of electricity and natural gas with the objective of consolidating its positioning as a dual fuel operator. It operates on the market segments of medium-sized enterprises and households with the objective of improving the quality of the services offered with particular regard to web and social channels. It supervises the Group's energy management policies. The Segment also has the objective of developing and searching for innovations and start-ups to launch testing projects in the technological field.

ONE OF THE LEADING OPERATORS IN ITALY

- Electricity sold: 8.3 TWh
- Free market customers: 0.49 mln
- Protected market customers: 0.70 mln
- Gas customers: 0.23 mln

EBITDA +11.2%

2021		81
2020		72

INVESTMENTS +12.0%

2021		49
2020		44



OVERSEAS

The ACEA Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy.

It is present in Honduras, Dominican Republic and Peru, serving approximately 10 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

- Water management in Latin America

EBITDA +8.3%

2021		27
2020		25

INVESTMENTS +48.2%

2021		5
2020		3





ENVIRONMENT

The Acea Group is one of the leading national players in Italy with nearly 1.52 million tonnes of waste managed each year. At the various treatment and disposal plants operated in seven regions there is a main waste-to-energy plant and the largest anaerobic digestion and composting plant in Lazio region. The Group pays particular attention to the development of investments in the waste-to-energy and waste-recycling business, which is considered to have high potential, in line with the strategic objective of environmental and energy enhancement of waste, as well as its recovery and recycling in the plastics, paper and metals sectors and in the production of high-quality compost.

ONE OF THE LEADING OPERATORS IN ITALY

- Umbria, Latium, Tuscany, Piedmont, Valle d'Aosta, Veneto, Marche and Abruzzo
- Waste managed: 1.52 mln tons
- Electric energy transferred (WTE): 328 GWh
- Electric energy produced: 388 GWh

EBITDA +26.6%



INVESTMENTS +53.3%



ENGINEERING AND SERVICES

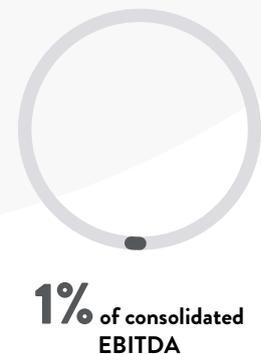
The ACEA Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the pipelines, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory and engineering consultancy services are of particular importance. The Acea Group is also engaged in the design and creation of plants for the environment and for the treatment of water and waste.

- Laboratory analyses of drinking water: 444,838
- Laboratory analyses of wastewater: 193,107
- Worksite inspections: 15,577

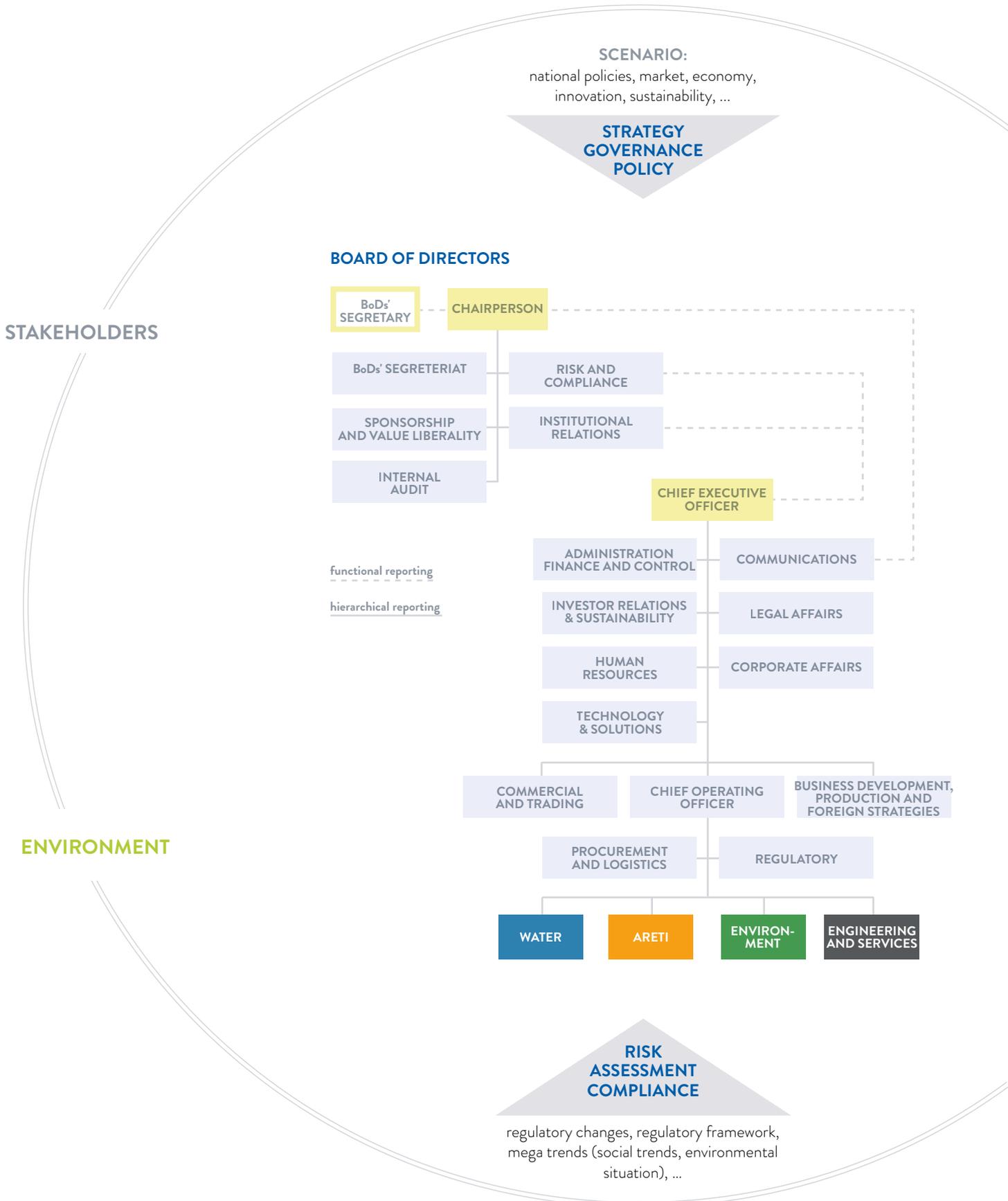
EBITDA +17.4%



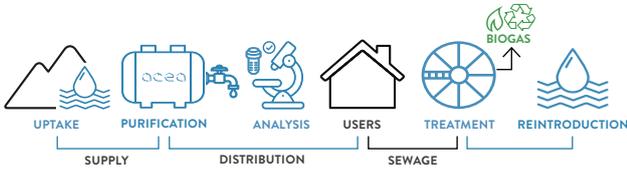
INVESTMENTS +48.7%



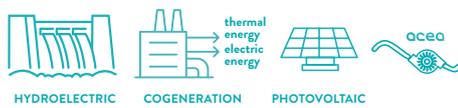
BUSINESS MODEL



Water supply chain: integrated water services



Energy supply chain: generation



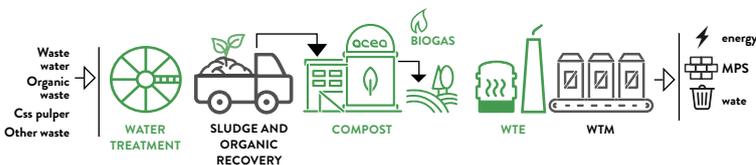
Energy supply chain: distribution



Energy supply chain: commodities and added value services



Environment supply chain: circular economy



The water supply chain: starting from a careful analysis of springs and groundwater and the potential impacts of operational processes thereupon – for example, by defining and monitoring water districts and preparing water balances to protect resources and balance their vital flows with the needs of human consumption, Acea checks and guarantees the quality of water during collection and distribution in compliance with the regulatory standards envisaged for end uses. The same care is devoted to wastewater collection and treatment phases and returning the resource to the environment in the best possible conditions for its natural cycle to resume. A huge effort has been made to increase the resilience of the water infrastructure, technological innovation applied to management (e.g. remote control, sensors, satellite monitoring, etc.) and the digitalisation of processes.

Electricity production: Through the business unit dedicated to production, Acea generates energy at hydroelectric power plants, thermoelectric power plants (high-yield cogeneration) and photovoltaic plants. In particular, Acea is strategically developing its position in the solar generation segment, including through partnership agreements with major financial operators to support the investment plan, with the aim of achieving an installed capacity of 750 MW in the medium term.

Electricity distribution: Acea supplies users with electricity thanks to a widespread distribution network that is constantly maintained, updated and developed according to resilience logics that support the growing electrification of consumption. The digital and innovative development in the services, stimulated and required by a constantly evolving market, commits the Distributor to opt for smart city solutions, adopting a demand side management and energy efficiency outlook.

Sale of energy, gas and added-value services: commodities (energy and gas) are purchased via bilateral contracts or exchanges on market platforms (Electronic stock exchange) where Acea Energia supplies itself in order to resupply clients according to its commercial policies. The Company develops relations with customers, based on their type, through contact channels that are increasingly more innovative and digital. The promotion of commercial offers takes place through pull channels (shop, website, branches) as well as through sales agencies that are selected, trained and their commercial practices monitored. One area of incremental development of the sector companies involves the creation of smart services, such as electric mobility, residential energy requalification and widespread composting.

Efficient use of waste and the circular economy: the environmental supply chain is active in efficiently using waste by reducing waste volumes, treatment, conversion into biogas, transformation into compost for agriculture and floriculture, waste-to-energy production and recycling into material that is reusable in production processes. In particular, with a view to circular economy, Acea exploits the integration into water activities to recover sludge from water purification and send it for treatment to become compost, also committing itself to the growth of its market position and operational capacity. The ongoing development involves the expansion of volumes and operating capacity, from selection to storage and treatment, as well as the types of material managed in the circuit of the circular economy (paper, iron, wood, liquid waste, plastic and metals) through the acquisition of new companies.

1

REPORT ON OPERATIONS





CORPORATE BODIES

BOARD OF DIRECTORS

Michaela Castelli	Chairperson
Giuseppe Gola	Chief Executive Officer
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Gabriella Chiellino	Director
Diane Galbe (*)	Director
Giovanni Giani	Director
Liliana Godino	Director
Giacomo Larocca	Director

BOARD OF STATUTORY AUDITORS

Maurizio Lauri	Chairperson
Pina Murè	Regular Auditor
Maria Francesca Talamonti	Regular Auditor
Maria Federica Izzo	Alternate Auditor
Mario Venezia	Alternate Auditor

FINANCIAL REPORTING MANAGER

Fabio Paris

AUDITING FIRM

PricewaterhouseCoopers SpA

(*) Resigned on 25 February 2022.

SUMMARY OF RESULTS

Income statement data

€ million	31/12/2021	31/12/2020	Change	% change
Consolidated revenues	3,972.0	3,378.9	593.1	17.6%
Consolidated operating costs	2,737.0	2,254.1	482.9	21.4%
(Negative) fair value of commodities	0	0.3	(0.3)	(100.0%)
Income/(Expenses) from equity investments of a non-financial nature	21.0	30.3	(9.3)	(30.6%)
EBITDA	1,256.1	1,155.5	100.6	8.7%
EBIT	581.1	535.0	46.1	8.6%
Net profit/(loss)	352.3	326.6	25.8	7.9%
Profit/(loss) attributable to non-controlling interests	39.0	41.6	(2.6)	(6.2%)
Net profit/(loss) attributable to the Group	313.3	284.9	28.4	10.0%

EBITDA by industrial segment

€ million	31/12/2021	31/12/2020	Change	% change
Environment	63.7	50.3	13.4	26.6%
Commercial and Trading	80.5	72.4	8.1	11.2%
Overseas	27.4	25.3	2.1	8.3%
Water	655.3	614.4	40.9	6.7%
Energy Infrastructure	371.6	367.6	4.1	1.1%
Generation	79.5	45.4	34.1	75.2%
Engineering and Services	17.3	14.7	2.6	17.4%
Corporate	(39.3)	(34.6)	(4.7)	13.6%
Total EBITDA	1,256.1	1,155.5	100.6	8.7%

Financial position data

€ million	31/12/2021	31/12/2020	Change	% change
Net Invested Capital	6,504.9	5,875.3	629.6	10.7%
Net Financial Debt	(3,988.4)	(3,552.0)	(436.4)	12.3%
Consolidated Shareholders' Equity	(2,516.4)	(2,323.3)	(193.2)	8.3%

The table shows the value of Financial Debt as required by ESMA¹ and the reconciliation with the Net Financial Position in line with the previous year's figures. Note that both values are net of the

IFRS 5 reclassification, amounting to € 4.9 million (higher debt) at 31 December 2021).

€ million	31/12/2021	31/12/2020	Change	% change
A) Cash	680.8	642.2	38.6	6.0%
B) Cash equivalents	0.0	0.0	0.0	n.s.
C) Other current financial assets	407.9	379.9	28.1	7.4%
D) Liquidity (A +B +C)	1,088.8	1,022.1	66.7	6.5%
E) Current financial debt	(173.6)	(290.9)	117.3	(40.3%)
F) Current portion of non-current financial debt	(111.6)	(128.9)	17.3	(13.4%)
G) Current financial debt (E +F)	(285.2)	(419.8)	134.6	(32.1%)
H) Net current financial debt (G - D)	803.5	602.2	201.3	33.4%
I) Non-current financial debt	(4,792.0)	(4,154.3)	(637.7)	15.4%
J) Debt instruments	0.0	0.0	0.0	n.s.
K) Trade payables and other non-current payables	0.0	0.0	0.0	n.s.
L) Non-current financial debt (I +J +K)	(4,792.0)	(4,154.3)	(637.7)	15.4%
Total financial debt (H +L)	(3,988.4)	(3,552.0)	(436.4)	12.3%
Long-term financial receivables	11.2	24.1	(12.8)	(53.3%)
Net Financial Position	(3,977.2)	(3,528.0)	(449.3)	12.7%

The following table shows the net financial position by area, continuing on from previous years. For further details, please refer to the

paragraph on "Definition of alternative performance indicators" and the paragraph in the Report concerning the Group's financial debt.

Net Financial Position

€ million	31/12/2021	31/12/2020	Change	% change
Environment	320.1	268.0	52.1	19.5%
Commercial and Trading	(297.4)	(95.7)	(201.7)	n.s.
Overseas	(18.9)	(9.0)	(9.9)	109.3%
Water	1,681.4	1,483.7	197.6	13.3%
Energy Infrastructure	1,583.9	1,342.5	241.5	18.0%
Generation	237.0	224.2	12.7	5.7%
Engineering and Services	28.1	31.1	(3.0)	(9.7%)
Corporate	443.1	283.2	159.9	56.4%
Total Net Financial Position	3,977.2	3,528.0	449.3	12.7%

¹ Paragraph 127 of the recommendations stated in document 319 of 2013, implementing Regulation (EC) 809/2004.

Capex by industrial segment

€ million	31/12/2021	31/12/2020	Change	% change
Environment	36.1	23.6	12.6	53.3%
Commercial and Trading	49.4	44.1	5.3	12.0%
Overseas	4.6	3.1	1.5	48.2%
Water (*)	522.1	476.0	46.1	9.7%
Energy Infrastructure	274.5	286.2	(11.7)	(4.1%)
Generation (**)	39.4	39.0	0.5	1.2%
Engineering and Services	9.9	6.6	3.2	48.7%
Corporate	34.4	28.5	5.9	20.8%
Total Investments	970.4	907.0	63.4	7.0%

(*) The value of investments in the area is inclusive of financed investments amounting to € 22.8 million.

(**) The value of investments in the area includes investments in discontinued operations for a value of € 16.0 million.

SUMMARY OF OPERATIONS AND INCOME, EQUITY AND FINANCIAL PERFORMANCE OF THE GROUP

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention No. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

- for the Acea Group, the EBITDA is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS 10 and IFRS 11 came into force.

EBITDA is determined by adding Operating profit/loss (EBIT) to “Amortisation, depreciation, provisions and impairment”, insofar as these are the main non-cash items;

- *financial debt* is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings (“Short-term loans”, “Current part of long-term loans” and “Current financial liabilities”) and long-term borrowings (“Long-term loans”) and the related derivative instruments (“Non-current financial liabilities”), net of “Cash and cash equivalents” and “Current financial assets”;
- the *net financial position* is an indicator of the Acea Group’s financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and other Current financial liabilities net of current financial assets and Cash and cash equivalents;
- *net invested capital* is the sum of “Current assets”, “Non-current assets” and Assets and Liabilities held for sale, less “Current liabilities” and “Non-current liabilities”, excluding items taken into account when calculating the *net financial position*;
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

SUMMARY OF RESULTS: ECONOMIC PERFORMANCE

Income statement data

€ million	31/12/2021	31/12/2020	Change	% change
Revenue from sales and services	3,816.0	3,205.0	611.0	19.1%
Other revenue and proceeds	156.0	173.9	(17.9)	(10.3%)
Costs of materials and overhead	2,461.2	1,986.4	474.8	23.9%
Personnel costs	275.8	267.7	8.2	3.1%
Net Income/(Expense) from commodity risk management	0.0	0.3	(0.3)	(100.0%)
Profit / (loss) from non-financial equity investments	21.0	30.3	(9.3)	(30.6%)
EBITDA	1,256.1	1,155.5	100.6	8.7%
Amortisation, depreciation, provisions and impairment charges	675.0	620.5	54.5	8.8%
Operating profit/(loss)	581.1	535.0	46.1	8.6%
Financial operations	(85.9)	(88.0)	2.1	(2.4%)
Equity investments	7.8	14.2	(6.4)	(45.2%)
Profit/(loss) before tax	503.0	461.2	41.8	9.1%
Income tax	150.7	134.6	16.0	11.9%
Net profit/(loss)	352.3	326.6	25.8	7.9%
Profit/(loss) due to third parties	39.0	41.6	(2.6)	(6.2%)
Net profit/(loss) attributable to the Group	313.3	284.9	28.4	10.0%

Compared to 31 December 2020 the following changes occurred in the consolidation scope:

- on 22 April 2021, the deed of merger by incorporation of the company BioEcologia into the company Acea Ambiente was signed. As a result of the merger, the share capital will not change and the by-laws will be amended. The full effects of the merger run from the date on which the final registrations required by art. 2504 of the Italian Civil Code take place;
- on 24 March 2021, an additional 35% stake was acquired in the company Solaria Real Estate, bringing the shareholding to 100%;
- on 25 March 2021, Crea SpA, placed in liquidation on 8 June 2011, was removed from the Companies Register;
- on 19 May 2021, Acea Sun Capital acquired 100% of the shares of the photovoltaic company JB Solar which has two photovoltaic systems located in the province of Lecce, respectively with power of 891 kWp and 521 kWp, for total installed power of 1.4 MW;
- on 28 May 2021 Acea Renewable and Acea Green were incorporated by Acea Produzione;
- on 15 July 2021 Acea Sun Capital acquired 100% of the company Solarplant, owner of a ground-mounted photovoltaic plant with installed power of 0.99 MWp, located in Collesalveti (LI) and incentivised under the terms of the Second Energy Account;
- on 28 July 2021 Acea Sun Capital acquired 100% of the company PSL to which was contributed the business unit made up of a photovoltaic plant, located in the municipality of Belpasso (CT), with power of 0.99 MWp;

- on 3 August 2021 Acea Sun Capital acquired 100% of the company M2D owner of a ground-mounted photovoltaic plant located in the municipality of Leini (TO), with power of 0.994 MWp;
- on 14 October 2021 Acea Ambiente acquired 60% of Meg, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;
- on 30 November 2021 Acea Ambiente acquired 65% of DECO, a waste management company whose activities also include the construction and operation of relevant plants. The company also holds a 21.8% investment in Picena Ambiente and owns 100% of Ecologica Sangro, a company active in the integrated management of solid urban waste in the Frentano and Sangro Aventino district area. The company itself holds a 75% stake in the Ecofrentano consortium;
- on 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020, while the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020. The installed power with reference to the secondary photovoltaic system is 52 MW.

Lastly, with reference to the 2020 financial year, it should be noted that:

- the acquisition by Acea Sun Capital of the photovoltaic companies Euroline3 on 7 May 2020, Energia on 7 May 2020, IFV Energy and PF Power of Future on 4 June 2020 and lastly Belaria on 23 July 2020;
- the 100% consolidation of the company Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the full consolidation of the companies acquired on 22 April 2020 by Acea Ambiente: 60% of the companies Ferrocart, Cavallari and Multigreen (the latter then merged into Cavallari as of 1 January 2021); the companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal;
- the consolidation of SIMAM (Servizi Industriali Manageriali Ambientali) on 7 May 2020; the company is a leader in the design, construction and management of water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content;
- the consolidation of 100% of the company Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the

development of electric mobility through advanced IT solutions. It should be noted that the company was merged by incorporation into the parent company Acea Innovation as of 1 January 2021;

- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, acquired on 31 August 2020, a company operating in the gas distribution sector, and its subsidiary Notaresco. Note that, on 3 August 2021, Pescara Distribuzione Gas was merged into Alto Sangro, whose name henceforth became Adistribuzione-gas. The merger has accounting and tax effects backdated to 1 January 2021.
- the consolidation of Servizio Idrico Integrato (hereafter SII) after an amendment to the governance structure and the acquisition on 16 November 2020 of an additional 15% stake, thereby arriving at a total stake of 40%;
- the establishment on 15 December 2020 of the Consorcio Acea and the Consorcio Acea Lima Norte held by Acea Perù (99%) and Acea Ato2 (1%), the first signed a three-year contract for the management of pumping stations for drinking water in Lima, the second signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima.

The table below shows the main impact of the change in the consolidation scope at 31 December 2021 (gross of intercompany adjustments).

€ million	SIMAM	Ferrocartero Cavallari Group	Consorcio Acea, Consorcio Lima Norte, Consorcio Lima Sur	Adistribuzione gas and Notaresco	SII	Meg	Deco, Ecologica Sangro, AS Recycling	Photovoltaic companies	Total
Revenues	20.0	13.9	18.0	3.0	36.7	2.8	5.3	2.7	102.3
EBITDA	3.0	2.8	1.0	3.1	11.6	0.5	1.1	2.8	25.9
EBIT	1.3	(0.7)	0.8	0.1	1.7	0.3	0.7	1.3	5.5
EBIT	1.3	(0.7)	0.6	0.2	5.6	0.3	0.8	1.3	9.4

As at 31 December 2021, revenues from sales and services come to € 3,816.0 million, up € 611.0 million (+19.1 %) on the same period of financial year 2020, mainly due to the increase in revenues from electricity sales (+€ 441.3 million) primarily attributable to higher unit prices and higher quantities (+17.5%). The total sale of electricity in the Greater Protection Service was 1,694 GWh, a decrease of 14.3% on an annual basis compared to the previous year; the sale of electricity on the free market amounted to 6,562 GWh, with an increase compared to the same period in the previous year of 29.9 %, primarily related to the B2B segment.

The increase was due also to the following: i) a € 44.0 million increase in gas sale revenues attributable to Acea Energia and due mainly to the higher quantities sold (+49.0 million Scm); ii) revenues from integrated water services (+€ 66.3 million), mainly due to the full consolidation of SII (+€ 34.8 million) and the remainder to Acea Ato2 (+€ 22.3 million) and GORI (+€ 7.2 million); iii) the increase in revenues from waste delivery and landfill management (+€ 18.6 million) is mainly due to the change in the consolidation scope (+€ 16.3 million) and are also attributable to the increase in revenues from the sale of energy due to the price effect; the change is mainly attributable to Acea Ambiente

(+€ 5.7 million) and partly offset by Demap (-€ 1.8 million); iv) foreign revenues (+€ 13.5 million) mainly due to the start of new consortia activities (+€ 18.0 million) and partly offset by a € 6.6 million reduction in revenues from Acea Peru; v) the change in inventories (+€ 14.9 million), mainly due to the consolidation of SIMAM (+€ 11.3 million); vi) higher revenues from Acea Innovation for +€ 6.3 million deriving from e-Efficiency projects).

Other revenues saw a 10.3% decrease (€ 17.9 million drop) from the previous year. The change mainly derived from: i) lower over-provisions recorded by Acea Ato2 (€ 28.7 million) due to revenues recognised in 2020 for 2018 and 2019 tariff components recorded in excess of the amount recognised in the respective financial statements; this change was offset by higher revenues related to water disconnections and reconnections (+€ 2.2 million) and insurance reimbursements (+€ 1.6 million); ii) the increase in other revenues recorded by Acea Energia (+€ 1.8 million) mainly due to higher CMOR indemnity claims on the free market; iii) higher other revenues from areti for bonuses relating to resilience measures on the electricity distribution

service (+€ 2.2 million), proceeds from the sale of equipment and materials (+€ 0.5 million) and revenues from various claims and EEC sales (+€ 1.1 million); iv) higher revenues for capital grants deriving from the consolidation of SII (+€ 1.9 million) and the increase recorded by Acea Ato2 (+€ 1.2 million), mainly for the 2018-2020 portion of the grant for tackling the drinking water supply crisis in the Lazio Region, awarded to the Company in 2021.

External costs showed an overall increase of € 474.8 million (+23.9%) compared with 31 December 2020; the change was due mainly to: i) higher costs for the procurement of electricity, transport and metering (+€ 390.8 million) in line with the trend in revenues; ii) higher costs for the purchase of materials (+€ 16.4 million), due in part to the change in scope, with particular reference to SIMAM (+€ 10.5 million); iii) higher costs for services (+€ 58.4

million) of which € 31.8 million is attributable to the change in consolidation scope.

Overall, the change in external costs was influenced by the change in scope for € 59.9 million, mainly attributable to SII (+€ 23.0 million), SIMAM (+€ 15.2 million) and the Ferrocarril Cavallari Group (+€ 9.2 million).

Personnel costs increased by € 8.2 million compared to the previous year (+3.1%), net of the change in scope (+€ 16.6 million mainly due to foreign companies) they decreased by € 8.4 million also as a consequence of higher capitalised costs (+€ 29.2 million).

The average number of employees was 9,263, an increase of 1,567 over the previous year, mainly due to the change in the foreign area following the start of maintenance on the water and sewerage network in north Lima.

€ million	31/12/2021	31/12/2020	Change	% change
Personnel costs including capitalised costs	469.1	431.7	37.4	8.7%
Costs capitalised	(193.3)	(164.0)	(29.2)	17.8%
Personnel costs	275.8	267.7	8.2	3.1%

Income from non-financial equity investments represents the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic

companies. The following table also includes the results of SII consolidated at equity until 16 November 2020 equal to € 0.6 million.

€ thousand	31/12/2021	31/12/2020	Change	% change
EBITDA	123.6	127.0	(3.3)	(2.6%)
Amortisation, depreciation, impairment and provisions	(91.9)	(81.6)	(10.3)	12.6%
Financial operations	(2.5)	(3.3)	(0.8)	(24.9%)
Taxes	(8.2)	(11.7)	3.5	(30.1%)
Income from equity investments of a non-financial nature	21.0	30.3	(9.3)	(30.6%)

EBITDA rose from € 1,155.5 million at 31 December 2020 to € 1,256.1 million at 31 December 2021, recording an increase of € 100.6 million or 8.7%.

The change in the consolidation scope accounts for € 25.9 million, due mainly to the full consolidation of SII (+€ 11.6 million), the consolidation of SIMAM (+€ 3.0 million), of the Cavallari, Ferrocarril, Deco and Meg (+€ 4.0 million), the photovoltaic companies (+€ 2.8 million) and Adistribuzionegas (+€ 3.1 million).

With the same scope, EBITDA grew by € 74.8 million, arising mainly from: i) the generation area (+€ 31.4 million), mainly attributable to Acea Produzione (+€ 25.5 million), since higher hydroelectric production (volumes produced increased by 55.1 GWh) and higher prices (+€ 60.67/MWh) led to an EBITDA increase of almost 80%. An increase was also recorded by Ecogena (+€ 2.5 million), partly due to income deriving from the sale of the Alfasigma cogeneration plant (+€ 0.6 million) and the rest coming from higher revenues from design and permit services for the Acea Group's mobility plan; ii) the water sector (+€ 26.3 million), mainly in relation to Acea Ato2 (+€ 26.6 million), principally because of greater cost efficiencies (+€ 11 million), higher capitalisation (+€ 8 million) and reduced sludge disposal costs after overcoming the crisis in managing sludge produced by waste treatment plants within the region (+€ 7.2 million); iii) the environment area, which made a positive

contribution of € 8.9 million, mainly by Acea Ambiente as a result of higher prices for waste delivery and electricity sales (increase in the Single National Price (PUN); iv) the commercial and trading area due to the increase in energy and gas margins (+€ 8.1 million) and other revenues (+€ 4.0 million) partially offset by a worsening of external costs and labour costs (+€ 14.1 million); v) the energy infrastructures area, which contributed € 4.1 million partly as a result of the margin deriving from the open fibre order (+€ 1.5 million), the effects of the resilience plan (+€ 2.2 million) and lower operating costs (-€ 1.7 million), partly offset by the effects of energy balancing (-€ 2.1 million) and, lastly, the worsening margin of the public lighting area (-€ 1.0 million) mainly due to the lack of authorisations for new constructions; vi) the corporate segment, which finally fell by € 4.7 million due to the combined effect of higher technical and IT services, advice, electricity consumption and costs related to the Covid emergency (vaccine hub), partly offset by higher reversals of costs and services to Group companies. The other areas recorded results in line with the previous year.

EBIT increased by € 46.1 million compared to the previous year. This increase was mitigated by growth in depreciation/amortisation (€ 48.4 million compared to 2020), of which € 19.5 million were

attributable to the change in scope. Below are details of the items influencing EBIT.

€ million	31/12/2021	31/12/2020	Change	% change
Amortisation / depreciation of intangible and tangible assets and impairment	546.6	498.3	48.4	9.7%
Provision for doubtful accounts	86.2	79.4	6.8	8.5%
Provision for risks and charges	42.1	42.8	(0.6)	(1.5%)
Amortisation, depreciation, impairment and provisions	675.0	620.5	54.5	8.8%

The increase in depreciation and amortisation is associated, net of the changes in the scope (+€ 19.5 million), mainly with investments in the period in all business areas. The increase in depreciation and amortisation is mainly due to Acea Ato2 (+€ 19.6 million) and Corporate (+€ 7.2 million). The growth in depreciation and amortisation was mitigated by the decrease recorded by Acea Ambiente (-€ 4.1 million) as a result of write-downs in 2020.

The increase in impairment of receivables is mainly attributable to Acea Ato2 (+€ 3.7 million), Acea Ato5 (+€ 3.6 million) and GORI (+€ 3.0 million), partly offset by lower provisions made by areti (-€ 1.9 million) and Aguas de San Pedro (-€ 1.2 million).

Provisions for risks were generally in line with the previous year (-€ 0.6 million) mainly as a result of the opposite effect of the lower provisions recorded by Acea Ato2 (-€ 2.7) and the release of provisions from previous allocations in the water area (-€ 2.0 million), offset by the increase recorded by Acea Energia (+€ 4.3 million) as a result of higher provisions for legal disputes.

Net gains/losses from financial operations showed net expenses of € 85.9 million, down by € 2.1 million compared to the previous year as a result of opposing effects. Worthy of mention are the increased financial income (+€ 1.4 million) mainly attributable to

the change in fair value of the derivative contracts hedging AdF's loan agreement (+€ 1.7 million), the higher income from the effects of invoicing of interest on arrears to water company users (+€ 4,9 million), offset by the lower financial income recorded by GORI as a result of the income from discounting recorded in 2020 as a consequence of the effects of the Framework Amendment, concluded on 23 November 2020, which provided for the postponement of the instalment agreements signed with the Campania Region in 2013 and 2018 (-€ 4.9 million). Financial charges instead recorded a slight reduction (-€ 0.6 million), mainly attributable to the Parent Company; note that the average overall all-in cost of the Acea Group's debt stood at 1.42% compared to 1.74% in the previous year.

The estimate of fiscal charges amounted to € 150.7 million, compared to € 134.6 million in the previous year. The total increase of € 16.0 million was mainly due to the higher pre-tax profit. The tax rate for 31 December 2021 was 30.0% (29.2% at 31 December 2020).

The net profit attributable to the Group was € 313.3 million and showed an increase of € 28.4 million compared to the previous year.

SUMMARY OF RESULTS: TRENDS IN FINANCIAL POSITION AND CASH FLOWS

Financial position data

€ million	31/12/2021	31/12/2020	Change	% change
Non-current Assets and Liabilities	7,200.1	6,626.2	573.9	8.7%
Net working capital	(695.3)	(750.9)	55.7	(7.4%)
Invested Capital	6,504.9	5,875.3	629.6	10.7%
Financial debt	(3,988.4)	(3,552.0)	(436.4)	12.3%
Shareholders' Equity	(2,516.4)	(2,323.3)	(193.2)	8.3%
Total Sources of Financing	6,504.9	5,875.3	629.6	10.7%

Non-current Assets and Liabilities

Non-current assets and liabilities increased by € 573.9 million (+8.7 %) compared to 31 December 2020, mainly due to the increase in fixed assets (+€ 469.8 million).

€ million	31/12/2021	31/12/2020	Change	% change
Tangible/intangible fixed assets	6,705.2	6,235.4	469.8	7.5%
Equity investments	295.2	279.5	15.8	5.6%
Other non-current assets	969.6	796.2	173.5	21.8%
Employee severance indemnity and other defined-benefit plans	(120.2)	(122.0)	1.9	(1.6%)
Provisions for risks and charges	(193.3)	(157.0)	(36.4)	23.2%
Other non-current liabilities	(456.5)	(405.8)	(50.7)	12.5%
Non-current assets and liabilities	7,200.1	6,626.2	573.9	8.7%

The change in fixed assets was mainly due to investments, which reached € 970.4 million, and depreciation, amortisation and impairment, totalling € 546.6 million.

See the following table as regards the investments made in each Operating Segment.

Capex

€ million	31/12/2021	31/12/2020	Change	% change
Environment	36.1	23.6	12.6	53.3%
Commercial and Trading	49.4	44.1	5.3	12.0%
Overseas	4.6	3.1	1.5	48.2%
Water (*)	522.1	476.0	46.1	9.7%
Energy Infrastructure	274.5	286.2	(11.7)	(4.1%)
Generation (**)	39.4	39.0	0.5	1.2%
Engineering and services	9.9	6.6	3.2	48.7%
Corporate	34.4	28.5	5.9	20.8%
Total Investments	970.4	907.0	63.4	7.0%

(*) The value of investments in the area is inclusive of financed investments amounting to € 22.8 million.

(**) The value of investments in the area includes investments in discontinued operations for a value of € 16.0 million.

The **Environment Segment** made investments of € 36.1 million, which increased by € 12.6 million compared to 31 December 2020. These mainly concern investments made by Acea Ambiente (+€ 8.9 million) for works carried out: at the Orvieto plant (+€ 1.0 million), for the purchase of the Borgorose shed (+€ 2.4

million), for revamping work at the Aprilia plant (+€ 3.2 million) and for work at the San Vittore plant (+€ 0.9 million); Berg (+€ 1.4 million) for the construction of a concentrator. Finally, note that the change in scope contributes € 2.0 million, attributable mainly to Ferrocarril.

The **Commercial and Trading Segment** recorded investments of € 49.4 million; the increase compared to 31 December 2020 (+€ 5.3 million) is mainly attributable to Acea Innovation for e-Efficiency projects. Investment in this segment relates mainly to Acea Energia and includes € 27.6 million for the cost of acquiring new customers in accordance with IFRS 15 and € 15.5 million for developments and upgrades to system extensions for the new CRM platform, as well as major improvements to support systems for the management of contact centre operational processes and the analysis and monitoring of customer margins.

The **Overseas Segment** showed an increase of € 1.5 million, mainly attributable to Aguas de San Pedro (€ 0.7 million). The change in the scope of consolidation contributed € 0.8 million due to the consolidation of Consorcio Lima Norte and Consorcio Acea.

The **Water Segment** realised total investments for € 522.1 million, increasing by € 46.1 million on the previous year, due to higher investments by Acea Ato2 (+€ 32.9 million), GORI (+€ 6.0 million) and AdF (+€ 2.9 million) partially offset by the lower investments of Acea Ato5 (-€ 6.3 million). The change in the consolidation scope refers to SII for € 8.5 million and to Adistribuzionegas Gas for € 2.5 million. The investments of the Segment refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders).

The **Energy Infrastructure Segment** recorded a € 11.7 million decrease in investments. The investments in the period refer mainly to the expansion and upgrading of the grids at various voltage levels, the work on the primary stations, secondary substations and meters, the metering units and remote control equipment as part of the grid "Adequacy and Safety" and "Innovation and Digitalisation" projects. All investments were undertaken with a view to improving the quality of service and increasing resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems.

The **Generation Segment** made investments of € 39.4 million, in line with 31 September 2020 and they refer to: (i) Acea Produzione (€ 17.5 million), mainly for the installation of the third engine at the Tor di Valle thermal power station, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating grid in the Mezzocammino district in the south of Rome; (ii) the investments made by Acea Solar (€ 10.5 million) developed by Aiem, Solarfields and Enertronica and by Fergas (20 MW) for

the construction of photovoltaic plants on both agricultural and industrial land; and (iii) Fergas Solar (€10.4 million) for the Fer-randina plant.

The **Engineering & Services Segment** recorded investments of € 9.9 million; the change in the consolidation scope refers to SI-MAM for € 0.8 million. The investments by Acea Elabori (€ 6.6 million) relate mainly to the design and implementation of processes and new systems, as well as extraordinary maintenance work on the Grottarossa site and equipment for the analysis laboratory.

The **Corporate Segment** made an increase in investments of € 5.9 million compared to 31 December 2020. The investments for the period refer to: (i) the purchase and upgrade of software to support the development of IT platform management, corporate security and administrative management systems; (ii) investments in company business premises and (iii) investments in hardware for technological development projects for the improvement and evolution of the IT network. Finally, during the year Acea purchased from ATAC SpA, for € 1.6 million, the land adjacent to its base in Piazzale Ostiense, for use as a car park. This acquisition was made on the basis of a competitive procedure.

Group investments concerning shared IT infrastructure totalled € 32.5 million.

Equity investments and equity securities not constituting control, connection or joint control increased by € 15.8 million compared with 31 December 2020, net of the effect of the reclassification of the Belaria investment (€ 1.0 million) following the application of IFRS 5 (see the relevant paragraph for more information). The change was determined by the increase in the valuation of companies consolidated with the equity method (€ 20.5 million), offset by other decreases of € 4.6 million, related mainly to the distribution of dividends.

The stock of **employee severance indemnity and other defined benefit plans** reported an increase of € 1.9 million, mainly due to the drop in the rate used (from 0.35% at 31 December 2020 to 1% at 31 December 2021).

Provisions for risks and charges increased by 23.2% compared to the previous year. The details by nature of the provisions are presented below. The change relates mainly to the alteration of the consolidation scope owing to the recognition of the *post mortem* provisions of the new companies acquired at the end of 2021 in the Environment Segment. The provision for Deco amounts to € 18.1 million and the one for Ecologica Sangro totals € 17.5 million.

€ million	31/12/2020	Uses	Provisions	Release for Excess Provisions	Reclassifications/ Other changes	31/12/2021
Legal	16.2	(3.3)	4.2	(1.5)	0.7	16.3
Taxes	9.2	(0.1)	0.2	(2.1)	0.1	7.3
Regulatory risks	27.4	(1.1)	5.3	(0.3)	(0.4)	31.0
Investees	10.3	0.0	0.0	(0.2)	(2.7)	7.5
Contributory risks	1.1	0.0	0.0	0.0	0.0	1.1
Insurance deductibles	11.0	(2.2)	2.5	(0.1)	(0.3)	10.9
Other risks and charges	23.7	(5.4)	7.8	(0.8)	0.8	26.1
Total Provision for Risks	98.9	(12.2)	20.1	(4.9)	(1.7)	100.1
Early retirements and redundancies	31.8	(26.0)	21.7	0.0	0.0	27.5
Post mortem	17.6	0.0	(0.1)	0.0	35.7	53.1
Provision for Expenses payable to others	8.7	(1.6)	5.4	0.0	0.1	12.6
Total Provisions for Expenses	58.1	(27.6)	27.0	0.0	35.8	93.2
Total Provisions for Risks and Charges	157.0	(39.8)	47.1	(4.9)	34.1	193.3

Net working capital

The change in **net working capital** compared to 31 December 2020 is attributable mainly to an increase in current receivables of € 90.1 million, the increase in other current assets (+€ 144.9 million) par-

tially offset by the increase in current payables of € 79.2 million, and other current liabilities of € 94.6 million.

€ million	31/12/2021	31/12/2020	Change
Current receivables	1,071.6	981.5	90.1
- of which end users/customers	1,027.0	934.2	92.8
- of which Roma Capitale	34.5	38.7	(4.2)
Inventories	86.4	92.0	(5.6)
Other current assets	412.0	267.1	144.9
Current payables	(1,706.4)	(1,627.1)	(79.2)
- of which Suppliers	(1,637.7)	(1,535.1)	(102.7)
- of which Roma Capitale	(62.5)	(87.6)	25.2
Other current liabilities	(559.0)	(464.4)	(94.6)
Net working capital	(695.3)	(750.9)	55.7

Receivables from users and customers, net of provisions for impairment of receivables, amounted to € 1,027.0 million (€ 934.2 million at the end of 2020) and are up by € 106.5 million compared to 31 December 2020. The following are noted: (i) a decrease in receivables in the Water Segment of € 43.5 million attributable mainly to GORI (-€ 13.9 million), Gesesa (-€ 8.4 million) and SII (-€ 5.6 million); (ii) an increase in receivables in the Energy Infrastructure Segment of € 18.6 million; (iii) an increase in receivables in the Commercial and Trading Segment of € 115.0 million, attributable mainly to Acea Energia (+€ 101.3 million), to Umbria Energy (+€ 6.3 million) and Acea Innovation (+€ 5.7 million); (iv) an increase in receivables in the Environment Segment of € 11.9 million, deriving mainly from the increase in receivables of Acea Ambiente (+€ 5.7 million), Cavallari and Ferrocarril (totalling +€ 1.7 million). The change in the consolidation scope accounts for € 12.2 million.

The decrease in provisions for the impairment of receivables was also due to the effects of the sale of non-performing receivables amounting to € 98.7 million at 31 December 2021. Receivables totalling € 1,463.9 million were transferred without recourse in 2021, of which € 195.1 million to the Public Administration.

As regards **relations with Roma Capitale**, the net balance at 31 December 2021, as highlighted in the table below was € 32.2 million payable by the Group (the payable balance at 31 December 2020 was € 28.6 million).

Trade and financial receivables suffered an overall decrease of € 42.3 million compared to the previous year (mainly due to the net balance between the accrual of receivables in the period and collections in the year). The main changes in the year are as follows:

- Higher receivables referable to Acea Ato2 for € 42.9 million;
- Higher receivables referable to the Public Lighting service for € 37.2 million;
- Collection of receivables relating to the Public Lighting service for € 75.3 million;
- Collection of receivables relating to Acea Ato2 for € 44.9 million;
- Collection of receivables relating to Acea Energia for € 2.1 million.

Payables decreased by € 38.7 million compared to the previous year; the main changes during the year are as follows:

- Higher payables due to the recognition of share dividends totalling € 86.9 million, accrued by Acea in the 2020 financial statements. The dividend was approved by the Shareholders' Meeting in April 2021;
- Higher payables due to the recognition of the portion accrued in 2021 related to the Acea Ato2 concession fee, for € 25.3 million;
- Higher payables due to the recognition of share dividends totalling € 2.2 million, accrued by Acea Ato2 in the 2020 financial statements. The dividend was approved by the Shareholders' Meeting in April 2021;
- Higher payables due to the recognition of the accrued portion of the Cosap debt for € 1.6 million;
- Payment of Acea Ato2 debt obligations relating to concession fees from 2017 to 2020 for a total of € 49.9 million;
- Payment of Acea Ato2 share dividends for 2018 and 2019 for a total of € 4.3 million;
- Payment of Acea share dividends for 2018, 2019 and 2020 for a total of € 99.2 million;
- Payment of electricity surcharges accrued up to 2011 for € 2.1 million.

Note also that in the course of the year, licence debts totalling € 15 million were paid by areti to the various municipalities.

In 2021, the following offset/payment transactions were made for a total of € 123.1 million. The main transactions are listed below:

- March 2021: offsetting of receivables for € 18.6 million relating to the Public Lighting service for January-November 2020 fees, offsetting Acea's share dividends for 2018;
- June 2021: offsetting of receivables for € 8.9 million relating to receivables from water use for the period November - December 2020, offsetting the share dividends for the years 2018 and 2019, and the portion of the 2020 concession fee.
- July 2021: offsetting of receivables for € 11.9 million relating to water use for the period January-April 2021, offsetting a portion of the 2020 concession fee;
- July 2021: offsetting of receivables for € 8.9 million relating to the Public Lighting service for the periods December 2020 and January-April 2021, offsetting Acea's share dividends for 2019;
- September 2021: offsetting of receivables for € 4.1 million relating to the Public Lighting service, offsetting Acea's share dividends for 2018;
- September 2021: offsetting of receivables for € 7.2 million relating to the Public Lighting service for the period May-August 2021, offsetting Acea's share dividends for 2018;
- October 2021: offsetting of receivables for € 2.1 million relating to electricity users for the years 2015-2018, offsetting electricity surcharges accrued up to 2011;
- October 2021: offsetting of receivables for € 7.2 million relating to the 2017 and 2018 Public Lighting service and street lighting works offsetting Acea's share dividends for 2018;
- November 2021: offsetting of receivables for € 29.0 million related to the Public Lighting service as an advance payment for the years 2016 to 2020, offsetting Acea's share dividends (balance of 2018 and part of 2019);
- December 2021: offsetting of receivables for € 24.0 million relating to water use for the period May-November 2020

and December 2018, offsetting Acea's share dividends for 2019;

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 33.3 million of receivables referred to the aforementioned Report were settled in the Group.

In 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. As a result of this work, Roma Capitale paid Acea the Public Lighting receivables for € 75.3 thousand through offsets.

For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Therefore, also during 2021, while awaiting the conclusion and finalisation of these aspects, Acea regularly continued to provide the Public Lighting service. The service has therefore been invoiced and already partly paid for by Roma Capitale.

Again in 2021, reconciliation work continued between Acea Ato2 and Roma Capitale (SIMU Department) and a joint technical report was completed in December, largely overcoming and resolving the disputes affecting the 2019 Technical Panel. This report led to the write-off of the receivables in question through the use of the provision for impairment set aside for this purpose. The operation reduced receivables and provisions by approximately € 7.4 million.

Note that in September 2021 the Consolidated Financial Statements of Roma Capitale as at 31 December 2020 were approved.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

Receivables due from Roma Capitale

€ million	31/12/2021	31/12/2020	Change
Utility receivables	30.4	42.0	(11.6)
Provisions for impairment	(1.7)	(9.3)	7.6
Total receivables from users	28.7	32.7	(4.0)
Receivables for water works and services	2.3	2.3	0.0
Receivables for water works and services to be invoiced	2.0	1.8	0.2
Provisions for impairment	(2.2)	(1.9)	(0.3)
Receivables for electrical works and services	4.0	4.1	(0.1)
Provisions for impairment	(0.3)	(0.3)	0.0
Total receivables for works	5.8	6.0	(0.2)
Total trade receivables	34.5	38.7	(4.2)
Financial receivables for Public Lighting services billed	117.1	129.3	(12.2)
Provisions for impairment	(30.2)	(30.2)	0.0
Financial receivables for Public Lighting services to be billed	49.0	65.0	(16.1)
Provisions for impairment	(28.3)	(22.0)	(6.3)
M/L term financial receivables for Public Lighting services	8.3	11.8	(3.5)
Total Public Lighting receivables	115.9	154.0	(38.1)
Total Receivables	150.4	192.7	(42.3)

Payables due to Roma Capitale

€ million	31/12/2021	31/12/2020	Change
Electricity surtax payable	(13.2)	(15.2)	2.1
Concession fees payable	(37.5)	(62.2)	24.7
Other payables	(13.5)	(11.0)	(2.4)
Dividend payables	(118.4)	(132.9)	14.4
Total payables	(182.6)	(221.3)	38.7
Net balance receivables payables	(32.2)	(28.6)	(3.6)

Current payables rose due to the increase in the stock of payables to suppliers (+€ 102.7 million), net of the decrease in payables to the parent company Roma Capitale (-€ 25.2 million). The increase in trade payables was due in particular to the debts of Acea Energia and GORI, partially offset by the decrease in payables to areti and Acea Ato2.

Other Current Assets and Liabilities recorded an increase of € 144.9 million (of which € 6.9 million for change in scope) and € 94.6 million (of which € 6.1 million for change in scope) compared to last year. In detail, other assets rose as a result of the increase in tax receivables of € 19.1 million, in receivables for energy equalisation of € 58.3 million and receivables for commodity derivatives relating to Acea Energia for € 69.3 million.

As regards the increase in other current liabilities, Acea Ambiente's payables increased by € 37.8 million as a result of the recognition of the payable for the purchase of the further 35% share in DECO and Acea Energia's payables for commodity derivatives for € 44.6 million.

Shareholders' equity

The **shareholders' equity** amounted to € 2,516.4 million. The changes, amounting to € 193.2 million, are detailed in the relevant table and are basically due to the distribution of dividends, the accrual of 2021 profits, and the change in the cash flow hedge reserves and those formed by actuarial profits and losses as well as the change in the consolidation scope.

Financial debt

Group **financial debt** recorded an overall increase of € 436.4 million, going from € 3,552.0 million at the end of 2020 to € 3,988.4 million at 31 December 2021. As described above, the Net Financial

Position continuing on from previous years amounts to € 3,977.2 million.

€ million	31/12/2021	31/12/2020	Change	% change
A) Cash	680.8	642.2	38.6	6.0%
B) Cash equivalents	0.0	0.0	0.0	n.s.
C) Other current financial assets	407.9	379.9	28.1	7.4%
D) Liquidity (A + B + C)	1,088.8	1,022.1	66.7	6.5%
E) Current financial debt	(173.6)	(290.9)	117.3	(40.3%)
F) Current portion of non-current financial debt	(111.6)	(128.9)	17.3	(13.4%)
G) Current financial debt (E + F)	(285.2)	(419.8)	134.6	(32.1%)
H) Net current financial debt (G - D)	803.5	602.2	201.3	33.4%
I) Non-current financial debt	(4,792.0)	(4,154.3)	(637.7)	15.4%
J) Debt instruments	0.0	0.0	0.0	n.s.
K) Trade payables and other non-current payables	0.0	0.0	0.0	n.s.
L) Non-current financial debt (I + J + K)	(4,792.0)	(4,154.3)	(637.7)	15.4%
Total financial debt (H + L)	(3,988.4)	(3,552.0)	(436.4)	12.3%

Non-current financial debt increased by € 637.7 million compared with the end of the 2020 financial year, due to an increase in bonds of € 888.5 million, partly offset by a reduction in medium and long-

term debt of € 250.8 million (of which a decrease of € 19.6 million in debt for IFRS16), as shown in the table below:

€ million	31/12/2021	31/12/2020	Change	% change
Bonds	4,142.0	3,253.4	888.5	27.3%
Medium/long-term borrowings	650.0	900.8	(250.8)	(27.8%)
Medium/long-term debt	4,792.0	4,154.3	637.7	15.4%

Bonds of € 4,142.0 million increased by € 888.5 million mainly due to the placement of two Green Bonds issued in January 2021 by the Parent Company under the Euro Medium Term Notes (EMTN) programme. The amount of € 889.7 million includes the long-term portion and the arrangement costs.

crease of € 250.8 million due mainly to the Parent Company (-€ 197.3 million) for the early repayment on the loan taken out in 2020 for € 100.0 million and the early repayment of principal for € 52.8 million for a portion of EIB funding taken up in 2014. The following table shows medium/long-term and short-term borrowings (excluding the portion due to application of IFRS 16) by term to maturity and type of interest rate.

Medium/long-term loans of € 650.0 million record a total de-

Loans

€ million	Total Residual Debt	Due from 31/12/2022		
		By 31/12/2022	to 31/12/2026	After 31/12/2026
Fixed rate	183.2	29.7	121.1	32.4
Floating rate	353.7	57.5	168.5	127.7
Floating rate cash flow hedge	169.1	8.4	75.6	85.0
Total	706.0	95.7	365.2	245.1

Note that the *fair value* of Acquedotto del Fiora's hedging derivatives was negative by € 1.9 million (it was negative by € 4.4 million at 31 December 2020), while Acea's hedging instrument, negative by € 0.3 million at 31 December 2020, was extinguished.

Current financial debt is positive by € 803.5 million, increasing by € 201.3 million from the end of the 2020 financial year. Of this increase, € 148.7 million is attributable to the parent company, € 15.1 million to areti and € 20.9 million to the consolidation of Ecologica

Sangro. The higher cash and cash equivalents of the Parent Company are primarily generated by the issue of the bond loans.

Note that financial debt includes € 118.4 million in payables to Roma Capitale for dividends resolved to be distributed and does not include other payables of € 61.4 million relating to share purchase options.

At 31 December 2021 the Parent Company had unused committed credit lines of € 500.0 million, uncommitted lines of € 429.0

million of which € 21.1 million used, as well as unused and available medium/long term loan lines of € 250.0 million. No guarantees were granted in obtaining these lines.

It must be noted that the long-term Ratings assigned to Acea by the International Ratings Agencies were:

- Fitch “BBB+”;
- Moody’s “Baa2”.

REFERENCE CONTEXT

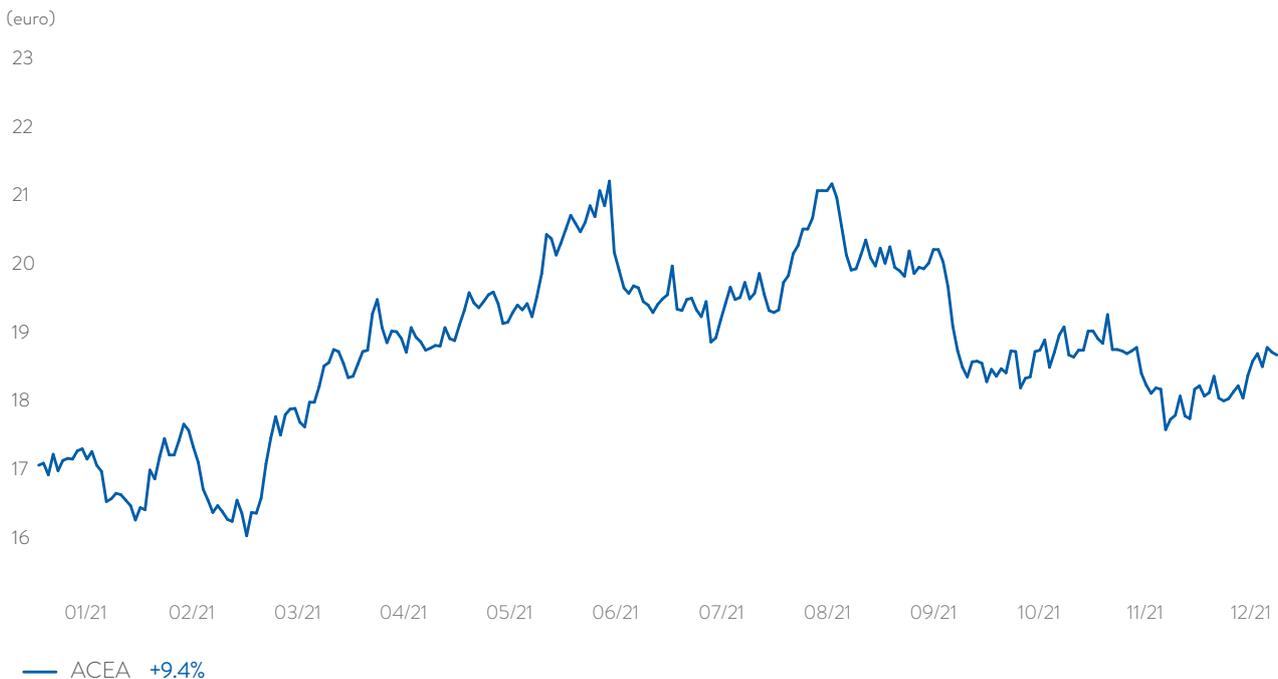
PERFORMANCE OF THE EQUITY MARKETS AND THE ACEA STOCK

Global equity markets generally performed well in 2021 despite the continuing Covid-19 pandemic. Economic recovery was aided by the support plans launched by the US and Europe and the expansionary measures adopted by the Central Banks. The Covid-19 vaccine campaign allowed for the gradual reduction of government restrictions in 2020, with the consequent recovery in economic and industrial activity.

Global economic growth had a positive impact, particularly on developed countries' stock markets, which outperformed emerging countries' indices.

The Italian stock market performed well and was among the best in Europe.

In 2021, Acea enjoyed a positive stock exchange performance (+9.4%). The share price rose from € 17.15 at the beginning of 2021 to € 18.76 on 30 December 2021 (the last stock exchange session of the year) with a capitalisation of € 3,995 million. The maximum value of € 21.30 was reached on 18 June, while the minimum value of € 16.12 was reached on 3 March. During the year, the daily average volumes traded were higher than 120,000 (compared to 165,000 in 2020).

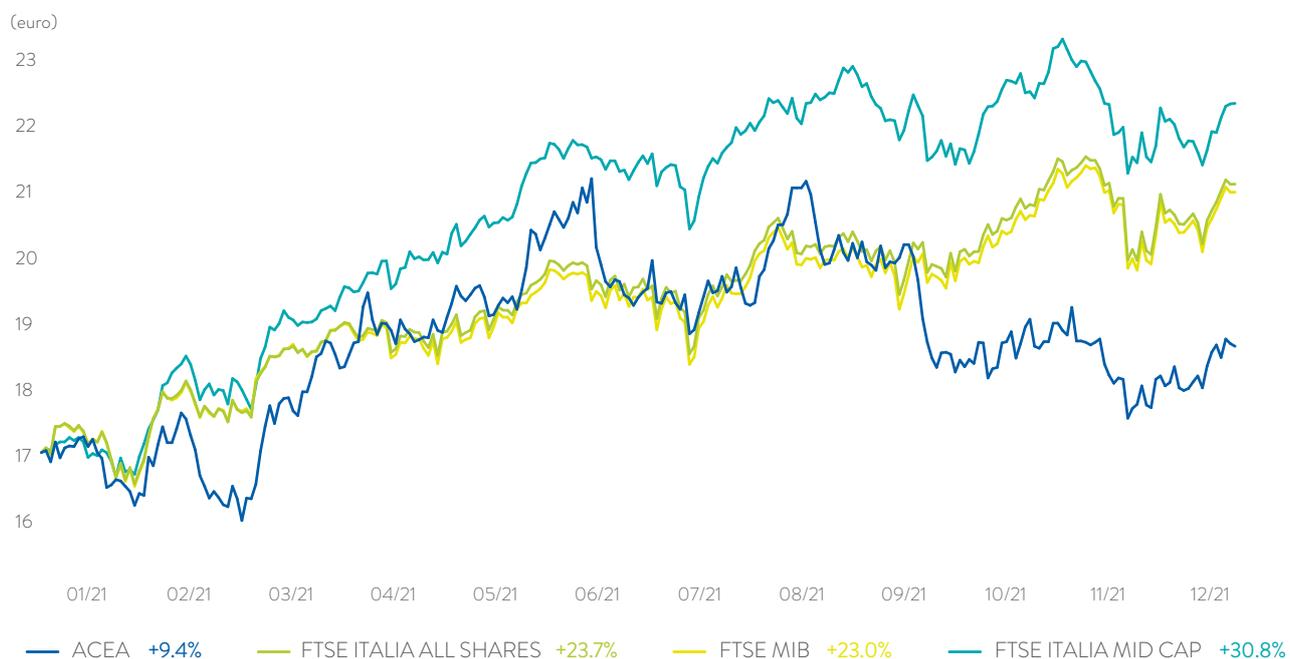


(Source: Bloomberg)

As is well known, Acea issued its first Green Bond on 21 January 2021 for € 900 million. Its great success confirms the strong interest in financial strategies centred on sustainability goals. Re-

quests for the issue exceeded the amount offered by more than seven-fold, with significant participation by green and sustainable investors which subscribed roughly 70% of the loan.

The following normalised graph shows the Acea stock values, compared to the performance of the Stock Market indices.



(chart normalised to Acea share price - Source: Bloomberg)

**% change 31/12/2021
(compared to 31/12/20)**

Acea	+9.4%
FTSE Italia All Share	+23.7%
FTSE Mib	+23.0%
FTSE Italia Mid Cap	+30.8%

During 2021 Acea took part in numerous events (meetings, extended presentations, utilities conferences, roadshows and reverse roadshows) with equity investors, buy-side analysts, investors and credit analysts. In consideration of the Covid-19 global health emergency, most of the communication events were held in “virtual” mode.

Conference calls/webcasts were also held with the financial community to coincide with the approval of annual and interim results. In 2021 around 140 studies/notes on Acea were published. Six business banks analyse Acea shares with a high level of continuity. Five of them, as of 31 December 2021, expressed “positive” ratings and one of which gave a “neutral” recommendation.

ENERGY MARKET

In the national electricity market, demand for electricity in 2021 was 319,389 GWh (Terna data), an increase of +5.5% over the previous year. This rise, happening in a context of progressive economic recovery, was a rebound from the reduced electricity load recorded in 2020 due to the national lockdown designed to halt the spread of Covid-19.

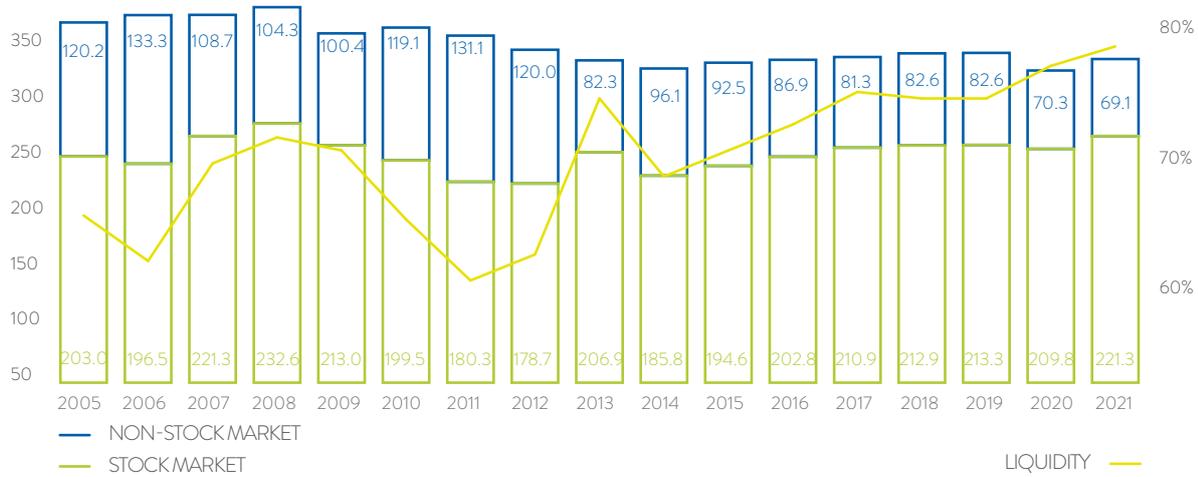
Energy production in 2021, net of self-consumption and consumption by pumping, stood at 249,251 GWh, up by 2.0% from 2020. It covered 78% of the requirement, against a significant increase in net

imports during the year, which recovered from the collapse of 2020, recording 42,755 GWh (+33%) and contributing 13.4% to satisfying demand. Production from thermoelectric sources, which fell in the first nine months of 2021 compared with 2020, increased its share in the last quarter to 157,363 GWh (+3.8%), in parallel with a gradual reduction in the water contribution from its start of the year peak (45,454 GWh, - 4.2%) and photovoltaic sources (20,062 GWh -1%). Wind power in 2021 increased by about 12 percentage points (20,841 GWh) compared to the previous year, while production from geothermal sources declined (5,527 GWh - 2.1%).

The Single National Price (PUN) in 2021 averaged at 125.46 €/MWh, showing an exceptional +222% increase from 2020, driven by the doubling of the price of CO₂ and especially the explosion of gas prices. In fact, the dual effect of the recovery of the commodity sector in 2021 and the major contraction caused by Covid in 2020 was added to by the effects of the Global Energy Crunch, which culminated in the gas supply crisis and the unprecedented escalation of related commodity prices.

In the second and third quarters electricity prices rose on average by around 200% compared to the previous year, but the most shocking hike occurred in the last quarter, with an increase of almost 400% compared to the same period in 2020. Hourly highs of €533.19/MWh and daily averages of €437.34/MWh were recorded (both on 22 December 2021).

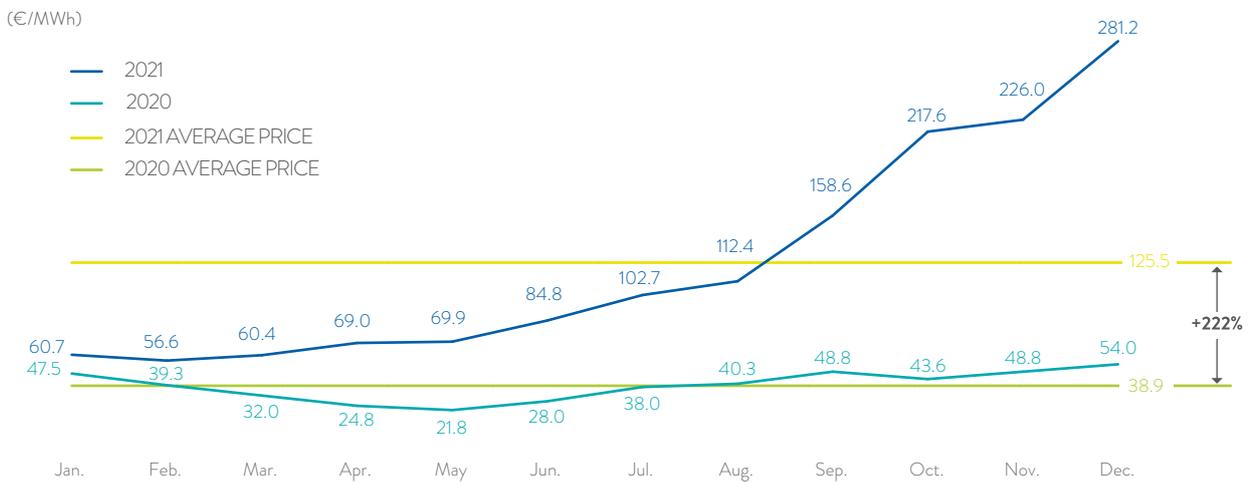
DAM: Single National Price (SNP) ²



The increase in energy prices in 2021 was also seen in other European countries, with the higher increases compared to 2020 recorded in the Scandinavian Area +475% (€ 62.87/MWh), followed by France +239% (€ 109.17/MWh), Spain +230% (€ 111.93 /MWh) and finally Germany +218% (€ 96.85/MWh). France deserves a special mention, as during the last quarter it faced reduced nuclear availability because of ordinary and extraor-

dinary shutdowns at several power plants just as winter demand was increasing. This has caused a further surge in domestic energy prices, with strong repercussions on prices in neighbouring countries such as Italy, usually a net importer from France, and on the price of gas, which is an alternative source to nuclear power in electricity generation.

DAM: Selling Prices ²



National demand for natural gas in 2021 stood at 73,486 Msmc (Snam Rete Gas data), representing an increase of +7.5% over the same period in 2020. Most demand came from the residential sector (33,599 Msmc, +8.4%), with contributions from the thermoelectric sector (25,903 Msmc, +6.9%) and the industrial sector (13,984 Msmc, +6.3%), due to weather factors and the post-pandemic economic recovery.

The increase in demand was mostly covered by imports from gas pipelines (61,782 Msmc, +16%) against the drop in national production (3,121 Msmc, -18.7%) and especially the LNG loads (9,762

Msmc, -22.4%), attracted mainly from the Asian market due to the higher premium compared to the European reference prices.

In the course of 2021, inventory supplies fell by -2.3% (7,167 Msmc), while injection supplies fell by a good -7.5% compared to the previous year. After a winter that saw massive use of inventory, the colder-than-normal temperatures and already rising gas prices in the spring of 2021 led to a delay in injections that was not recovered in the summer, with the result that inventories reached new record lows both at the beginning of the 2021/2022 thermal year (October 2021) and at the end of 2021.

² Source: GME Newsletter, December 2021.

TARIFFS FOR TRANSPORT SERVICES

2021 was the fifth year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods.

The regulations are included in three Integrated Texts: “Integrated Text of provisions of the Authority for providing electricity transmission and distribution services (TIT)”, Annex A to Resolution 568/2019/R/eel, the “Integrated Text of provisions of the Authority for providing the electricity metering service (TIME)”, Annex B to Resolution 568/2019/R/eel, and the “Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)”, Annex C to Resolution 568/2019/R/eel, published on 27 December 2019.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the constraint on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2021 were published with Resolution 564/2020/R/eel for the distribution and metering services for non-domestic customers, with Resolution 565/2020/R/eel for the provision of the transmission service, with Resolution 566/2020/R/eel for provision of the domestic customers network services on 22 December 2020.

The regulations in force in the previous regulatory sub-period include:

- regulatory lag and return on invested capital;
- extension of regulatory useful life;
- tariff adjustment criteria: distribution, sale, measurement.

With regard to the first point, ARERA confirmed the method for offsetting the regulatory lag, recognising new investments made for both Distribution and measurement (without backdating).

The criterion based on the increase in the remuneration rate of invested capital recognised for new investments, of 1% (of the year $t-2$) was replaced by the introduction of recognition in the capital base (so-called RAB) also of investments made in the year $t-1$, measured on the basis of pre-final data communicated to ARERA. This data will be used to determine the provisional tariffs of reference not yet published and will then be replaced by the final data to determine the definitive tariffs of reference published by February of the following year.

On 30 March 2021 ARERA published Resolution 131/2021/R/eel with which it determined the definitive tariffs of reference for distribution and metering services for the year 2020.

In the year t , the ARERA only recognises the remuneration of the invested capital concerning the assets which entered use in the year $t-1$, without recognising the relevant depreciation rates (which are still recognised in the year $t-2$).

In the new sub-period, ARERA confirmed the previously established regulatory useful life.

With resolution 639/2018/R/com of 6 December 2018, ARERA updated the values of the parameters used to calculate the rate of return on net invested capital (WACC) for the three-year period 2019-2021, establishing a value of 5.9% for the distribution and metering service.

With Resolution 380/2020/R/com of 13 October 2020, ARERA launched a proceeding to update the criteria for determin-

ing and updating the WACC for the WACC regulatory period that begins on 1 January 2022 (the PWACC). On 15 July 2021, ARERA published DCO 308/2021/R/com setting out the initial guidelines for the above update. The parties concerned were required to submit their comments to it by 12 September 2021. This procedure was concluded with the publication of Resolution 614/2021/R/com of 23 December 2021, with which the Authority set the criteria for determining the WACC for the 2022-2027 period and established the 2022 rate of return on invested capital for the electricity distribution and metering service at 5.2%.

In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the ARERA on the basis of actual company costs and on the basis of scale variables.

These costs, when calculating the company-based tariff, according to the definitions of Resolution No. 568/2019, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets.

Updating of the distribution reference tariff after the first year is individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- the portion of the tariff covering operating costs will be updated using the price cap mechanism (with a productivity recovery target of 1.3%);
- the part covering the costs concerning the remuneration of the invested capital will be updated through the deflator of the fixed gross investments, the change in the volume of service provided, the gross investments that are operational and differentiated by level of voltage and rate of change connected to the increased remuneration recognised for incentivised investments;
- the part covering the depreciation will be updated through the deflator of the fixed gross investments, the change in volume of service provided, the rate of change connected to the reduction in the gross invested capital due to disposal, withdrawal and end of useful lifetime and the rate of change connected to the investments that are now operational.

ARERA confirms for 2021 the mechanism, already introduced in the third regulatory period, for the higher remuneration of certain categories of investments made until 2015, not extending this mechanism also for the 2016-2023 cycle.

With Circular No. 18/2020/ELT, CSEA implemented the single-operation recognition mechanism of the increased rate of return on invested capital for the above types of investment as provided for in art. 5.2 of ARERA Resolution no. 568/2019. The distribution companies involved submitted their reintegration request by 30 September 2020, as established in said circular.

Given this circumstance, areti decided not to participate in the application, which it in fact lodged in 2021. With Resolution 558/2021/R/eel of 9 December 2021, the Authority determined and ordered the payment of the residual amounts due in a single instalment, granting areti the sum of € 3,180,571.

As regards marketing, ARERA confirmed a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities (single all-inclusive company tariff for the distribution and marketing service).

With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.

The general equalisation mechanisms for distribution and metering costs and revenue for the regulatory cycle in force are:

- equalisation of the revenues from the distribution service;
- equalisation of the revenues from the low-voltage metering service;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference.

With Resolution 568/2019, ARERA established that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for purposes additional to the electric service, recorded at the end of year $n-2$ should the aforementioned net revenue exceed 0.5% of total recognised revenue.

The equalisation of the transmission costs has the objective of passing the distributor in terms of the cost recognised to Terna for the transmission service (CTR) with what was paid by the end customer based on the compulsory transmission tariff (TRAS).

With regard to the procedure initiated with Resolution 677/2018/R/eel on the finalisation of the regulation of losses on distribution networks for the three-year period 2019-2021, with Resolution 449/2020/R/eel dated 10 November 2020, the algorithm for calculating the DeltaL equalisation relating to the value of the difference between the effective losses and the standard losses starting from the year 2019 was modified; the percentage factor applied for equalisation purposes for commercial losses of electricity on the networks with an obligation to connect third parties for the "centre" zone and for the LV voltage level was modified, going from 2% to 1.83%. With a specific application to be presented by the end of May 2022, the resolution provides for recognition of network losses attributable to non-recoverable fraudulent withdrawals that manifest with exceptional amounts compared to the levels recognised conventionally. The recognition is provided for exclusively in the case of a negative net equalisation balance on the three years 2019-2021 and will have a value at the most equal to what is necessary to reduce this balance to zero.

Furthermore, on 21 December 2021, ARERA published DCO 602/2021/R/eel in which it proposed, for the 2022-2023 two-year period, the revision of the conventional percentage factors for commercial losses to be applied to distribution companies for equalisation purposes and the revision of the conventional percentage loss factors to be applied for settlement of the dispatching ser-

vice to end customers as from 1 January 2023. Distribution companies must submit their comments by 31 January 2022.

In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs. With Determination 19/2020 of 13 November 2020, ARERA defined the operating methods of managing the general equalisation mechanisms, confirming the method of calculating the advances every two months.

On 20 May 2021, via certified email (PEC), the CSEA communicated the 2021 equalisation advances and relevant regulation deadlines. The two-month advance equalled € 25.6 million.

Equalisation of the purchase of electricity supplied for own use in transmission and distribution continues to be regulated in the new regulatory period.

Further impact on the equalisation is linked to the fact-finding investigation launched with Resolution 58/2019/E/eel on the settlement of the economic items related to the electricity destined for States included in Italian territory, the Authority, with Measure 491/2019/E/eel, ordered Areti to carry out - by 31 December 2019 - the actions necessary to define correctly the dispatching point of export related to the electric frontier with the Included States, and to obtain the measurement data of the electricity sold to the said State.

On 20 December 2019, the company stated that it had complied with the requirements.

The Authority decided that the elements acquired constituted a condition for the launch of a proceeding aimed at ascertaining any breaches on the subject of settling the economic items related to the electricity destined for the Included States.

In June 2020, Areti submitted its commitments in terms of the applicable regulation, which will be reviewed in light of the results communicated by the CSEA and approved by ARERA with Resolution 262/2021/E/eel. The relevant items will in any case be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel.

Finally, with Resolution 576/2021/R/eel, ARERA provided that for interconnection with the Included States:

- from 1 January 2022, only the variable components, expressed in c€/kWh, of the tariffs covering transport costs provided for in paragraph 15.1 of the TIT will be applied (currently, the fixed and variable components are both applied);
- from 1 April 2022, the imbalance price for non-enabled units (and no longer the DAM zonal price) will apply for the purpose of regulating actual imbalances);
- from 1 January 2023, uplift shall be applied to the energy actually withdrawn (currently not applied).

In the same measure, the Authority specifies that the entire band must no longer be used to define the Included States withdrawal schedule; the dispatching user must instead use its own best estimate of withdrawals. The delta between the value of the band and the programme must be treated as a programme imbalance and valued at PUN.

ARERA has confirmed the method of recognising the capital costs for low voltage electronic meters, for firms serving more than 100,000 points of delivery, based on criteria for determining the

investments effectively made by the single firms and also retaining the measurement equalisation for the fifth regulatory cycle. The equalisation mechanism is intended to equalise the revenue from the comparison of the obligatory tariffs billed to end users and the revenue set in the reference tariff.

The tariffs hedging the measurement service are updated, as are those for the distribution service, using the price-cap mechanism for the part hedging the operating costs (with the goal of a 0.7% recovery of productivity) and with the deflator, variation in invested capital and rate of change of the volumes supplied for the part covering the invested capital and depreciation. The rate of remuneration of the measurement capital is the same as that for the distribution service.

Note that with resolution No. 646/2016/R/eel of 10 November 2016, ARERA illustrated the methods for defining and awarding costs related to second generation (2G) smart metering systems for measuring low voltage electricity. On 8 March 2017, it published a release in which it updated the evaluation of the plan for entry into service of the 2G smart metering system prepared by e-distribuzione SpA. In order to present ARERA with an illustrative report on the commissioning plan of the 2G smart metering system, the company defined a project for the development of this system with the aim of replacing the current system of electronic meters.

Starting in 2017, ARERA established in the same resolution that for the annual updating of the return on invested capital and depreciation concerning effective low-voltage metering points, for each distribution firm, the maximum gross investment value recognisable per meter installed is 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.

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On 20 March 2019, with the consultation document 100/2019/R/eel, the Authority introduced an update for the three-year period 2020-2022 of the provisions on the determination and recognition of costs relating to second generation (2G) smart metering systems. In particular, the proposals set out in the consultation document include:

- the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the “conventional plan” in order to reduce the risk of a “two-speed country”; the updating and simplification of the provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;

- the assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
- the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

This was followed by Resolution no. 306/2019/R/eel on 16 July, which confirmed the guidelines presented in the previous consultation document. Specifically:

- The Authority set 2022 as the deadline for the start of the plans for the commissioning of 2G systems and established that the mass replacement phase for the meters must be completed by 2026 (with a target of 95% of the meters included in the plan). Furthermore, in order to avoid the “two-speed country” risk, a new method of calculating the “conventional plan” was introduced for companies that have not yet submitted their rollout plan.
- Starting from the 4th year of each PMS2, penalties are introduced for failure to meet expected performance levels, with annual and multi-annual ceilings on penalties for greater protection of service users.
- The regulatory useful life of the asset categories relating to the low-voltage electricity metering service to be applied to investments in 2G smart metering systems is 15 years.
- The remuneration and depreciation of the invested capital are determined according to a fixed rate depreciation schedule. Depreciation schedule instalments are calculated as deferred annual instalments, considering a return time horizon consistent with the regulatory useful life.

On 20 September 2019, Areti sent the Authority the request for admission to the recognition of investments under the specific regime together with the plan for the commissioning of the 2G smart metering system and the other documents required by Resolution no. 306/2019/R/eel. The documentation was made available on 23 September 2019 on the Areti website, and on 21 October a public session was held to present the Plan, during which the Company responded to the comments made by participants. On 20 December the Authority requested detailed information on the actual operating capital costs of Measure 1G and 2G set out in PMS2.

Resolution 213/2020/R/eel, which follows 177/2020/R/eel accompanied by CD 178/2020, provides for transitional amendments for the year 2020 to some of the directives for second generation (2G) smart metering systems for measuring low voltage electricity.

In particular, in consideration of the Covid-19 health emergency and its impacts on the replacement of meters, the Authority expressed the orientation to:

- waive — at least for 2020 — the upgrade criterion at the level of the Municipality or other significant territory;
- establish that the next PDFMs, which must have a maximum quarterly frequency, can only have indicative value as long as the emergency persists. Moreover, each PDFM must be published 15 days in advance of the beginning of the month in which mass replacements of meters are planned;
- suspend — at least for 2020 — the provisions on penalties for failure to achieve at least 95% of the progress (cumulative) envisaged by PMS2 from the second year of the plan (90% for the first year);

- suspend — for the year 2020 only — the application of the IQI (Information Quality Incentive) matrix, which defines the value of the incentives to be paid to companies for the different combinations of actual expenditures incurred and planned, since the comparison between actual costs and expected costs may be subject to factors that affect the comparison.

On 28 July 2020, with Resolution 293/2020/R/eel, the Authority approved the plan of commissioning of the 2G smart metering systems presented by Areti and determined the related conventional commissioning plan and the expenses envisaged for the plan for the purposes of recognition of the costs of capital.

ARERA also considers it appropriate to offer distribution companies the option of proposing the updating of their upgrade plan during 2021 to adjust for the effects of the epidemiological emergency. It is noted that on 31 March 2021, in consideration of the ongoing health emergency and need to further investigate the relevant impact, Areti announced its intention to collect additional information to assess whether it should update its PMS2 by 15 June 2021.

On 14 June 2021, Areti notified ARERA that it had promptly intervened, by adapting its processes and procedures so as to absorb the operational impact that had arisen during the health emergency period, and that it had consequently not identified any effects that would require the plan to be revised. It is noted nonetheless that certain risks still remain even though they are not yet apparent, such as by way of example and not limited to, the possible increase in asset costs due to raw materials becoming more expensive or the potential shortages in supplies due to the widespread slowdown in production worldwide.

With Resolution 349/2021/R/eel of 3 August 2021, the Authority provided that, for the year 2021, in the case companies that had started PMS2 in previous years, the 2G meter limit below which penalties apply is 90% instead of 95% of the cumulative number of 2G meters provided for by PMS2 as at 31 December 2021. The Authority also resolved that for 2021, the criterion of implementation at municipal or other significantly relevant territorial level shall not apply.

The “Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)”, Annex C to Resolution 568/2019//R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to passive users, essentially in line with the previous regulatory period.

The regulatory changes that have taken place since 1 January 2016 allow the distributor to affirm that the right to remuneration for invested capital arises, from an accounting point of view, at the same time as investments are made and the depreciation process is initiated in compliance with the accruals concept and the principle of correlation of costs and revenues. For this purpose, the remuneration of the investments (including of the related depreciation and amortisation) was calculated and recognised in the energy margin at the same time as they were made (so-called Regulatory Accounting).

It should be noted that with Resolution 461/2020/R/eel of 17 November 2020, the rules were defined for the payment to the electricity distribution companies of the otherwise non-recoverable expenses for failure to collect the tariffs for the network services. The CSEA is to quantify and settle the receivables not recoverable by the distribution companies in relation to the network tariffs. On

31 December 2020, the advance of 50% of the amount requested from CSEA, equal to approximately € 5.8 million, was paid and, in September 2021, the remaining amount of approximately € 5.5 million was paid.

In view of the continuing Covid-19 emergency, on 29 March 2021, ARERA published Resolution 124/2021/R/eel containing the urgent actions necessary to implement the provisions of the Italian Support Decree on the reduction of expenditures incurred by low voltage electricity users other than domestic users for the months of April, May and June 2021. The measure was subsequently extended by one month with Resolution 279/2021/R/eel on 30 June 2021.

On 30 July 2021, CSEA made available the formats necessary for the communication of reduced collections (Circular No. 29/2021/ELT), to be sent by 30 September 2021. Areti sent the necessary data to CSEA by certified email on 20 September.

The lower collections for the year 2021 amounted to approximately € 19 million and were transferred to the factor in September 2021.

Note also the publication of DCO 615/2021/R/com of 23 December 2021, in which the Authority illustrates its thinking behind the main lines of action of the ROSS-BASE solution, namely the focus on total expenditure, overcoming the current cost recognition system, which considers operating costs and investments separately, in favour of an integrated approach that gives operators responsibility. In particular, the new integrated approach focuses on the following aspects: realistic forecasts and development plans, based on the future and actual needs of service customers; incentives to improve performance levels, in terms of efficiency, cost-effectiveness and quality of service; removal of any regulatory barriers to the development of innovative solutions. ARERA does not yet go into detail on the regulatory mechanisms that must be developed and which will come into force in 2024 for the electricity distribution and metering service, but it does intend to obtain an initial assessment from operators, end customers and other participants. Comments were sent by the 31 January 2022 deadline.

THE ITALIAN WASTE MANAGEMENT MARKET

In line with the guiding principles of the UN 2030 Agenda and the commitments made in its QASE and Sustainability Policy, within the Environment Segment Acea has become a promoter of sustainable industrial growth and protecting and enhancing local areas. In this market context, given the current situation of production and treatment capacity for waste in the Acea Group’s traditional operational areas and in neighbouring areas, there is evident high “potential demand” (disposal in landfills, waste-to-energy, composting and biogas production, sludge and liquid waste treatment, recycling of mixed materials and production of secondary raw materials). This is facilitated by a national regulatory framework that provides incentives and by the regulatory support of European directives on the recovery of materials and energy, as well as by the implementation of the European Union’s policy guidelines on the circular economy (closing the loop), which are being implemented in Italy by virtue of a delegated law that has given the government the obligation to update environmental legislation adapting it to the new EU standards. Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sew-

erage sludge — in the context of value added environmental services (sludge treatment, compost) — could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

WATER REGULATION

During the year 2021, changes in the regulatory framework were manifested through several important measures issued by the Authority. These include, in particular, the extension of the metering rules — with the introduction, among other things, of new specific standards, protection for users hit by hidden losses, and specific provisions for grouped users — and the directives for updating tariffs for the second two years of the third regulatory period. Together, the two measures modify the regulation of technical quality, introducing new indicators and changing the calculation method of the M1 macro-indicator for water losses.

As part of its institutional activities, the Authority also offered the relevant bodies its considerations and proposals on the NRRP, with reference to issues regarding regulated services, and the critical state of water services in some areas of the South of the country, with a view to overcoming the so-called Water Service Divide. Both documents, analysed in more detail below, emphasise the need for stronger governance of the sector, to achieve management systems with adequate organisational and implementation capacities. Also worth noting is the start of the process for the preparation of the new ARERA Strategic Plan, with the definition of the strategic objectives and the main lines of action for the 2022-2025 period, taking into account the evolving context of the national and European reference sector.

Finally, the Authority approved 45 tariff applications pursuant to ARERA Resolution 580/2019/R/idr, further to the eight approved in the previous year, as well as the convergence regulatory schemes proposed by the Calabria Water Authority for 22 municipal management entities in its area.

The following is a summary analysis of the main measures approved by ARERA in 2021.

TARIFF METHOD

Resolution 639/2021/R/idr of 30 December 2021: criteria for the biennial update (2022-2023) of the tariff arrangements for the Integrated Water Service

In the wake of Resolution 306/2021/R/idr of July 2021 initiating the procedure, and the related consultation begun in November with document 489/2021/R/idr, in which the Authority expressed its guidelines on the subject, the provisions relating to the rules and procedures for the intra-period tariff update were approved with the resolution in question in late December, in compliance with the methodology set out in Resolution 580/2019/R/idr (MTI-3).

The deadline for the submission of the tariff application by the Divisional Governing Bodies (EGAs) is 30 April 2022.

As part of the dedicated consultation, with a 10 December 2021 deadline, Acea Ato2 communicated its positions and proposals in the joint document drawn up for Acea group companies in the water sector.

The provisions of Resolution 639/2021/R/idr constitute an intra-period revision and are substantially in line with those already

defined in Resolution 580/2019/R/idr. In addition, there are also provisions in compliance with the outcome of disputes relating to previous tariff methods and technical quality regulation, as well as measures to achieve the effective implementation of the Next Generation EU supporting instruments.

The following points are noteworthy in relation to the cost components recognised in the tariff:

- the Opmis component is aimed at implementing measures to speed up compliance with the most recent regulatory provisions helping to make users more aware of their consumption, as well as to encourage limitation procedures in the event of arrears and selective disconnection. It may be redetermined also on the basis of any additional charges to increase the effectiveness of the metering service (i.e. the provisions introduced by Resolution 609/2021/R/idr). The quantification criteria are also specified in greater detail, and are identified as the coverage of the costs of providing incentives to users for works to individualise supply and the contracting/entrusting of complete metering services within apartment buildings (condominiums);
- as regards electricity, the average cost of the supply sector is set at the highest values of the ranges put out to consultation (0.1543 €/kWh for 2022 and 0.1618 €/kWh for 2023). There is also the possibility of also exploiting an additional forecast component aimed at getting at least a partial advance warning of the effects of rising electricity costs;
- the additional costs due to the Covid-19 epidemiological emergency, OpCovid, are confirmed for the year 2021;
- as regards the cost of arrears, there is a widening of the turnover base to which the percentages for calculating the maximum recognised cost are to be applied. From 2022 this will include the revenue from the application of the tariff equalisation components.

With regard to the planning documents, it is established that the Action Plan and the Strategic Works Plan encompass the actions financed by the public resources allocated within the framework of the Next Generation EU instruments, with an indication of the time development of the relative planned spending; these documents must also take into account the impact of the adjustments to the regulation of technical quality and the methods for assessing the technical and contractual quality performance.

Attention is also drawn to the provisions for compliance with various of Council of State decisions on tariff calculation rules for 2012, 2013 and for the period 21 July - 31 December 2011. In this regard, there is a specific item within the adjustment components, designed to recover what was not recognised by the previous tariff rules (it specifically concerns the methods of calculating net working capital, tax charges on the FoNI, systemic changes or exceptional events, financial charges for adjustments of the restriction recognised on revenues, costs of equity in the determination of revenues admissible for the calculation of post-referendum refunds).

There are also amendments to the technical quality regulation, involving the revision of M1 macro-indicator (Water losses) in compliance with Council of State decision No. 2672/2021. The change includes the length of the distribution network connections in the calculation of linear water losses and the consequent modification of the classification grid.

The proceeds of the UI2 component will be used to cover technical and contractual quality premiums, while the revenue from the allocative component introduced by MTI-3 regarding the operating costs efficiency drive will be diverted to the new account set up at

CSEA, for the promotion of innovation in the integrated water service, with criteria for use and management methods to be defined by subsequent measures. Elements of flexibility in the contractual quality performance assessment mechanisms will be extended to the 2022-2023 two-year period, with cumulative assessment on a two-year basis of targets for 2022 and 2023.

With specific regard to assessing the achievement of the technical quality objectives for 2018 and 2019, initially planned for 2020 and postponed due to the pandemic, developments are awaited, also in the light of the new provisions introduced.

In the area of the monetary adjustment, the inflation rate is set at 0.10% for 2021 and 0.20% for 2022, while the deflators of gross fixed capital formation are set at 1.005 for 2021/2020 and 1.005 for 2022/2021; the real risk free rate is set at 0.13%, the Water Utility Risk Premium at 1.7% and the benchmark return on fixed assets, including the Debt Risk Premium, at 2.4%.

Finally, as from 1 January 2022, the new mechanism for automatic recognition of the social water bonus led to the value of the UI3 equalisation component to cover the bonus being updated to € 1.79 cents per cubic metre.

CONTRACTUAL QUALITY

With the publication on 8 February 2021 on the Authority's website, of the Communication "Data collection: Contractual quality of the integrated water service (SII) - 2020", the collection of data and information relating to contractual quality of the integrated water service was opened to operators and government entities, with reference to the period 1 January 2020 - 31 December 2020, pursuant to art. 77, paragraph 1 to the SII Contractual quality regulation (RQSII - Annex A to Resolution 655/2015/R/idr). This data collection edition also includes the transmission of data relating to the provision of the automatic indemnities relating to the cases detailed under art. 10 of the default regulation in SII (REMSI), pursuant to Annex A to Resolution 311/2019/R/idr and subsequent amendments.

The deadline for operators was set at 15 March 2021, whereas the second stage for AGB validation was completed on 26 April.

Once again with regard to Contractual Quality, on 24 March, during a webinar organised for World Water Day, ARERA presented the contractual quality data for water operators, which it made available on its website using interactive infodata journalism tools, to make it accessible to all stakeholders. Tables, maps, integrated graphics, and texts will be published on a periodic basis on the Authority's website, showing the contractual quality performance of individual Italian water management operators, thus confirming the Authority's commitment to provide consumers with tools for comparative analyses and transparent disclosure.

Consultation 572/2021/R/idr of 14 December 2021: updating of the methods for checking commercial quality data for the distribution, measurement and sale of electricity and natural gas and for the contractual quality of the integrated water service

At the same time as initiating the pan-sector and pan-service procedure for updating the methods for checking commercial/contractual quality data (opened with Resolution 571/2021/R/com of 14 December 2021), the Authority issued its guidelines for consultation, with a comments and proposals submission deadline set for 11 February 2022. For the integrated water service, penalties are calculated following the second control

on the basis of the invalid/non-compliant performances found. The consultation document proposes the replacement of this method, with penalties recalculated by reapplying the statistical method already used to determine the results of the first control.

SOCIAL WATER BONUS

Resolution 63/2021/R/com of 23 February 2021: application procedures for the system of automatic recognition of beneficiaries of the electricity, gas and water Social Bonus for economic hardship

With Resolution 63/2021/R/com, ARERA regulates the automatic recognition of social electric, gas and water bonuses for economic hardship, pursuant to Decree-Law no. 124 of 26 October 2019, converted with amendments by Law no. 157 of 19 December 2019. The application procedures for the new system were defined, replacing the previous "on demand" regulations, and more specifically, the relative information flows: Acquirente Unico, operator of the Integrated Information System (IIS) will receive information from the Italian National Pension Fund (INPS) relating to family units, which on the basis of the certified Single Declaration ["Dichiarazioni Sostitutive Uniche"] for the previous month, find themselves experiencing economic hardship; the IIS will check that no other family member has already benefited from the bonus for the same reference year. Specifically with regard to the water social bonus, based on the data received from INPS and via the Authority's Water Territorial Database ["Anagrafica Territoriale Idrica - ATID"], the IIS will identify the water operator that is responsible for the territory, to whom the information will be sent to find the supply that will be assisted and paid the bonus.

The provision produces effects, in terms of recognising the benefits to those that are eligible (family units with an Equivalent Economic Situation Indicator (ISEE) not higher than € 8,265 or with at least 4 dependent children and an ISEE indicator not higher than € 20,000; beneficiaries of national income or pensions), as from 1 January 2021, in accordance with the provisions of the aforementioned Decree-Law no. 124/196; taking into consideration the time needed to develop the related IT systems, the mechanism is expected to become operational from 1 June 2021 with regard to the activities pertinent to the IIS, and consequently, from 1 July regarding the activities pertinent to operators.

The measure also details the transitory provision procedures for beneficiaries of the 2021 bonus portions accrued prior to the mechanism becoming operational.

Moreover, Acquirente Unico will transmit periodically to ARERA the reporting related to observance of the formalities relating to the accrediting process by the water operators, under the terms of paragraph 6.1 of Annex A to Resolution ARG/com 201/10.

Therefore, following consultations with participants, in April the Acquirente Unico published the Technical Specifications for implementation of the rules for identifying supplies to be supported, and in July it published the Technical Specifications for the reporting of the Social Bonus.

As specified by ARERA in a press release dated 25 February 2021, the automatic recognition of the bonus to family units experiencing economic hardship will make it possible to provide benefits to over 2.6 million eligible families, surpassing the on-request bonus mechanism, which had in fact limited the application of the benefit in the past to only one third of potential

beneficiaries.

Finally, with the Communication dated 5 March 2021, in order to comply with the disclosure and communication obligations for data relating to 2020, the Authority requested that operators send through the information relating to the water social bonus and integrated water bonus, pursuant to paragraphs 12.3 and 12.4 respectively of the TIBSI (Annex A to Resolution 897/2017/R/idr), accompanied by the relative illustrative note required by paragraph 12.5.

Resolution 223/2021/R/com of 27 May 2021: procedures for transmission, from INPS to the integrated information system managed by Acquirente Unico SpA, of the data required for the automatic recognition of electricity, gas and water social bonuses for economic hardship

With this measure, the Authority regulates the technical procedures for making available the information – necessary for the automatic recognition of electricity, gas and water social bonuses for economic hardship, as identified in Resolution 63/2021/R/com – from INPS to the Integrated Information System Operator, also the related security measures and the time frames according to which INPS sends to the Acquirente Unico the certified Single Declaration (“Dichiarazioni Sostitutive Uniche”) from 1 January to 30 April 2021. Based on the Resolution, the Authority also becomes the Controller of the personal data processing relating to the process for the automatic recognition of social bonuses.

Resolution 366/2021/R/com of 3 August 2021: provisions on the automatic recognition of the water social bonus, the gas social bonus for indirect domestic customers and the electricity economic hardship social bonus for electricity end customers connected to distribution networks not interconnected with the national electricity system

The resolution provides updates on the privacy profiles relating to the bonus management, in particular detailing the liability profiles of the individuals concerned. With reference to the water bonus, the competent territorial water managers registered in ARERA's Water Territorial Database (ATID) are responsible for processing the personal data for the identification of water user beneficiaries of the relevant tariff subsidy, and are responsible also for liquidation of the subsidy; AU is instead responsible for identification of the territorially competent water manager and the so-called verification of uniqueness.

On the other hand, any measures to protect the right to receive the social water bonus in the event of non-operator accreditation are postponed to subsequent provisions, subject to verification of the actual level of accreditation of water operators with ATID.

METERING REGULATIONS

Resolution 609/2021/R/idr of 21 December 2021: extension of the Integrated Water Service regulations (TIMSII)

The resolution was approved at the end of December 2021, on completion of the process triggered by the launch of the procedure (Resolution 83/2021/R/idr of 2 March 2021) and the consultation (405/2021/R/idr 08/09/2021, which Acea Ato2 participated in by presenting its positions and proposals through the Acea group). This is a very complex measure, which includes amendments to: TIMSII (Resolution 218/2016/R/idr), to the technical quality regulation (Resolution 917/2017/R/idr), and to

the provisions on the transparency of invoicing documents (Resolution 586/2012/R/idr).

The provisions generally take effect from 1 January 2022, but there are different deadlines for the various related obligations; specific updates to the Service Charter and User Regulations are also required.

As regards TIMSII-related innovations, what is worth mentioning is the equivalence of the validated meter-reading by the user with the meter-reading by the operator's personnel; there is also now the option of communicating the user meter-reading at the operator's branches and the obligation to declare non-validation in the bill if the usual methods of communication with the user are not available. Again as regards metering procedures, two specific new standards take effect from 1 January 2023 (Minimum number of attempts to take the meter reading and Minimum notice time for attempts to take the meter reading from end users with a non-accessible or partially accessible meter). These measures will be incorporated, together with the related automatic indemnities, into the Service Charter when the specific regulatory scheme is updated. The registration obligations will also then be updated.

A further important aspect is the introduction of specific protections for the user regarding hidden losses, with defined minimum levels of protection: access for consumption of at least twice the average daily consumption; time frame for re-access to protection to be no more than three years from the date of issue of the abnormal consumption invoice; protection applied also for subsequent invoices for at least three months; exemption from sewerage and treatment tariffs for the volume above the reference average daily consumption; for the water pipeline service, a tariff of no more than half of the basic tariff applied to the volume beyond the reference average daily consumption, with the deductible on billable volumes capped at 30%. The instalment arrangements provided by Resolution 655/2015/R/idr (RQSII) shall also be applied). The Service Charter and User Regulations must be updated to include the protections applicable in the event of hidden losses, within six months of the date of adoption of the measure; these protections must also be explained when the contract is signed and must be described on the operator's website, with the dedicated link on the bill, by 30 June 2022.

Additional information to be shown on the operator's website, with a link in the bill and with the same deadline, is provided for by EU Directive 2184/2020, regarding water intended for human consumption; also obligatory is the data for the average annual consumption of end users in the managed territory, broken down by user type.

Particular attention is paid to grouped users, to help promote consumption awareness among indirect users. A certain amount of information must be provided annually (initially through the condominium administrator or other contact person); the operator must also, within 6 months from the measure's effectiveness date, provide condominium users with a tool to calculate the breakdown of amounts billable to the individual apartment units. This must be accessible to all participants (condominium administrators/contact persons, individual indirect users, accounting companies).

With reference to newly constructed buildings, AGBs are obliged to extend user regulations with the option to enter into, where technically possible, a separate supply contract for each individual building unit.

A unique and geolocalised identification code will also be assigned to each contracted user by 31 December 2023.

Finally, new indicators for the regulation of contractual quality are to be introduced from 1 January 2022. performance indicators for

the reliability assessment of the values of the M1macro-indicator - Water losses (Share of user volumes measured and Share of process volumes measured, replacing the current indicator Share of volumes measured), constituting the assessment inputs for assigning points and forming the rankings of the bonuses/penalties incentive mechanism; indicators of the spread of the most innovative technologies for monitoring use (Share of user/process volumes with measurement via remote meter reading).

NATIONAL WATER SECTOR INTERVENTION PLAN

Resolution 58/2021/R/idr of 16 February 2021: simplification of the procedures for the provision of resources, pursuant to Resolution ARERA 425/2019/R/idr, for the implementation of the interventions in the first passage of the national water sector interventions plan – water pipelines section

Based on the ongoing health emergency, the resolution introduces measures to simplify the procedures for Resolution 425/2019/R/idr, in order to ensure the timely provision of the resources required for the design and implementation of the interventions contained in Annex 1 of the DPCM of 1 August 2019 referring to the “Adoption of interventions in the first passage of the national water sector interventions plan – water pipelines section”. More specifically, the provision of funding for the portion exceeding the advance and any portions already disbursed, is done prior to having checked that the conditions have been complied with, based on the amounts effectively spent and reported to the reference Entity.

In 2021, several resolutions were also approved (294/2021/R/idr, 582/2021/R/idr, 583/2021/R/idr, 584/2021/R/idr) whereby the Authority authorises CSEA to disburse funding instalments subsequent to the first one (for a total of more than € 5 million) for the implementation of the interventions of Annex I to the dPCM of 1 August 2019 “Adoption of interventions in the first passage of the national water sector interventions plan – water pipelines section”. With Resolution 633/2021/R/idr, the Authority instead ordered nine operators to comply with the obligation to use a minimum proportion of 80% of the total spending of projects funded under the first part of the water pipelines plan, to be reached within two years of the disbursement of the resources. The ACBs in question explained the delayed implementation of the interventions referring to the issues that had arisen, such as the restrictive measures imposed because of the pandemic, disputes during the awarding of contracts and execution of works, contractors’ failure to act, and the resetting of project specifications. The Authority gave a compliance deadline of 30 November 2022.

As regards the reservoirs section of the National Plan, the Authority expressed a favourable opinion (Opinion 389/2021/I/idr) on a dPCM scheme for the rectification of intervention No. 22 reported in Annex 1 of the dPCM 17 April 2019 (adoption of the first passage of the interventions), necessary because another work in the same region (Molise) had been reported by simple material error).

STRATEGIC FRAMEWORK 2022-2025

Consultation 465/2021/A of 29 October 2021: ARERA strategic framework 2022-2025

The consultation document presents ARERA’s guidelines for the Strategic Plan, with the definition of the strategic objectives and the main lines of action for the 2022-2025 period, taking into account the evolving context of the national and European reference sector. The key elements of the Strategic Framework are consumer protection and awareness through tools and communication, digitalisation, a “just” and sustainable energy transition across the energy and environmental sectors, improved infrastructure, services and competition.

The Strategic Framework structure and contents - the latter subdivided into themes cutting across all sectors with in-depth studies on individual sectors - are arranged on two levels: the strategic objectives, which embody the overall strategy based on the current and medium-term scenario, and the intervention lines, which outline the Authority’s planned main measures and actions to achieve each strategic objective.

Acea Ato2 took part in the consultation within the Acea group, both by participating in the hearings on 22 and 24 November and by sending a written statement.

BIENNIAL LIMITATION

Resolution 610/2021/R/idr of 21 December 2021: extensions and amendments to ARERA Resolution 547/2019/R/idr concerning the invoicing of amounts for consumption dating back more than two years

The measure concludes the procedure for compliance with judgments 1442, 1443 and 1448 of the Lombardy Regional Administrative Court (TAR) of 14 June 2021 concerning the invoicing of amounts for consumption dating back more than two years, launched by ARERA with Resolution 461/2021/R/idr and developed with Consultation 462/202/R/idr. Acea Ato2 participated in the consultation by sending its comments and proposals as part of the joint document prepared for the Acea group water companies. In the aforementioned judgments, the Lombardy Regional Administrative Court did, on the one hand, acknowledge that the prescriptive content of Resolution No. 186/2020/R/idr was in line with the legislative amendment of the 2020 Budget Law (whose effect is that the two-year limitation period also applies when the user erroneously or fails to record consumption data) and with the Civil Code’s general principles on limitation periods, and also considered the issue of constitutional unlawfulness raised by the applicant companies to be manifestly unfounded; on the other hand, however, it did find uphold the complaint about ARERA’s failure to launch the consultation process and consequently annulled the measure in question.

In the light of the above, ARERA, with Resolution 461/2021 of 26 October 2021, launched a procedure aimed at reinforcing the clarity, transparency and certainty of the current regulatory framework concerning end user protection in cases of the invoicing of amounts referring to consumption dating back more than two years; a further aim was to guarantee adequate information to the end user in cases where the integrated water service operator believes it can invoice amounts referring to such consumption dating back more than two years, assuming, in those cases, that there is an obstacle to the limitation period accruing under the relevant primary and general legislation.

Following the aforementioned consultation, ARERA, with Resolution 610/2021 updated the information obligations stated in Resolution 547/2019 in favour of end users deemed worthy of stronger protection (domestic users, micro-businesses and professionals), thus making a distinction between the two cases of accrued or non-accrued limitation. In the first case, the operator must supplement the invoice by inserting a note informing of the existence of consumption dating back more than two years, which is not obligatorily payable, and inviting the user to communicate their wish to contest the limitation period concerning the amounts in question. On the other hand, in the event of invoicing of amounts referring to consumption dating back more than two years for which the limitation period has not expired and due to the presumed existence of obstructive causes pursuant to the primary and general reference legislation, the note must indicate the reason and inform of the option of complaining in writing. The provisions on complaints (Resolution 655/2015/R/idr) have been consequently adapted, specifying that the operator's response to any complaint must outline the reasons that led to the request for payment, and must also give information for resolving the dispute. However, in the event of arrears relating to unpaid amounts for consumption dating back more than two years, for which, even though the conditions exist, the limitation period has not been contested, the operator must attach to the default notice the information that such amounts may not be paid, and shall invite the user to communicate their wish to contest the limitation period. The new rules will be effective for invoices issued in the first billing cycle following the date of publication of the measure.

The resolution also changes the annual deadline for the ABGs to submit the report required by art. 2 of Resolution 311/2019/R/idr as part of their monitoring activities on cases in which the procedure for water supply limitation or promotion of selective disconnection of condominium users is not technically feasible, setting it at 28 February each year. In this regard, ARERA issued a communiqué of 01 December 2021 making available the template for the report relating to the year 2021.

BRIEFS AND REPORTS

Brief 86/2021/R/com of 02 March 2021: Regulatory Authority for Energy, Networks and Environment brief regarding the proposal for the National Recovery and Resilience Plan (NRRP)

In this Brief, the considerations and proposals were submitted for the Commissions 10a Industry, commerce, tourism, 5a Budget and 14a Policies of the European Union Senate, referring to the NRRP, in the version approved by the Council of Ministers on 12 January 2021. The brief concentrated on the aspects that are most pertinent to the Authority's sphere of responsibility, referring to certain aspects of Mission 2 "Green revolution and ecological transition", relating to the major issues of the circular economy and energy transition, in relation to the goals of the Green Deal (reduction of climate-changing emissions by 55% by 2030 and achieving climate neutrality by 2030), and in particular, the "Green Business/Agriculture and circular economy", "Renewable energy, hydrogen and sustainable mobility" issues, and finally the "Protection of the territory and water resources".

Over a third of the total Plan's resources are intended for Mission 2, "Green revolution and the ecological transition"; the Authority in this regard noted the significant imbalance between the resources intended for the energy sector compared to the environment.

With regard to the governance of the NRRP, the Authority drew attention to the European Commission's specification of identify-

ing an independent public body to conduct the validation, and in this respect, offering its support to institutional entities that will be carrying out this function, within the scope of their respective responsibilities.

With specific reference to the water sector, the protection of the territory and water resources falls within the scope of Mission 2, aimed at generally strengthening the resilience of water systems against climate changes, by improving the ecological and chemical quality status of bodies of water and the management and effective allocation of water resources among the different uses/sectors. Among the relative actions, the Authority focused specifically on those referring to IIS, noting the priorities in terms of investments and reforms. With regard to investments, these focus on the extraordinary maintenance of reservoirs and procurement systems, the completion of major water projects, the reduction of network leaks, also promoting the development of smart networks, the strengthening of sewerage and purification infrastructure, also in consideration of the four EU procedures pending against Italy for the infringement of Directive 91/271/EEC. In respect of the reforms, priority is given to the simplification of the regulations relating to the National Intervention Plan for the water sector and strengthening of governance, with the purpose of promoting the full implementation of the ISS projects.

Finally, the Authority noted that in the update to the "water pipelines" section in the National Plan, it emerged that additional investments of around € 10 billion would be required over the next five-year period; in this regard, the need to reformulate the resources allocated is required, with additional funding in the form of contributions, and taking into account the potential and leverage provided by the Guarantee Fund.

Report 295/2021/I/idr of 6 July 2021: thirteenth report pursuant to art. 172, paragraph 3-bis of Legislative Decree no. 152 of 3 April on "Environmental Regulations"

The report, submitted by the Authority to Parliament twice yearly, aims to provide an up-to-date overview of local structures, governance and changes in integrated water service assignments. The scenario emerging from this edition can be summarised as follows:

- final completion of the process of local authorities joining the relevant bodies in all territorial areas of the country and consolidation in the process of rationalising the number of OTAs, currently at 62;
- the need to complete the paths begun, and since hindered by the continuing epidemiological Covid-19 emergency, towards the goal of full operation of the Area Governing Bodies, especially in some territorial divisions, to work off the accumulated delays in the process of full implementation of the Integrated Water Service;
- the need to continue the process of rationalisation and consolidation of the management landscape in accordance with the provisions of current regulations, given the widespread existence (albeit gradually and steadily diminishing) of operators who no longer operate under the law — some of them involved in awarding procedures already initiated by the area governing body — and who currently provide services but have no legal title pursuant to regulations in force at the time.

Attention is also given to the still potentially critical areas of differing kinds, particularly in Southern Italy, where the so-called Water Service Divide continues to be a problem. These situations, and the consequent system overhaul to strengthen the managerial govern-

ance of the integrated water service, as proposed by the Authority, are described in detail in the dedicated Report 331/2021/Idr, which is discussed below.

Opinion 554/2021/Idr of 02 December 2021: Opinion to the Minister of Sustainable Infrastructure and Mobility on the draft Ministerial Decree on Investments in Primary Water Infrastructure for the Security of Water Supply of Investment 4.1, Mission 2, Component C4 of the NRRP

The Authority hereby issues, pursuant to art. 1(516) of Law 205/17 (as amended by Decree-Law 121/21, converted by Law 156/21), a favourable opinion on the draft decree transmitted by the Ministry of Sustainable Infrastructure and Mobility on 30 November 2021. The measure resolves to issue a favourable opinion on the draft decree forwarded by the MIMS on “Investments in primary water infrastructure for the security of water supply” of Investment 4.1, Mission 2, Component C4 of the National Recovery and Resilience Plan (NRRP).

In the preamble to the ARERA opinion, it is also pointed out that with Resolution 284/2020/R/Idr, ARERA launched the procedure for identifying the second list of works relating to the water pipelines section of the National interventions plan for water sector interventions, providing for the definition of a single plan based on a multi-year programme for the 2021-2028 period, to which the entirety of the residual resources provided for by art. 1 c. 155 of Law 145/18 should be allocated. In relation to this initiative, the Authority received 1,208 projects/interventions for a total of more than € 10 billion.

SUNDRY

Resolution 130/2021/A/ of 30 March 2021 “Reporting on activities carried out for the 2019-2020 period and revision for 2021 of the ARERA strategic framework for the three-year period 2019-2021”. In line with the content of the Strategic framework for the three-year period 2019-2021 (Resolution 242/2019/A9) and the relative commitments referring to accountability and transparency, Annex A reports on the activities carried out in implementing the strategic objectives over the two-year period 2019-2020, providing the progress status and reasons for any variances in terms of the original time frames envisaged

More specifically, it outlines the different measures characterising the 23 strategic objectives, breaking down the relevant interventions, grouped according to the three strategic areas (Transversal themes, Environment Segment and Energy Segment), each of which is broken down further into 3 strategic lines.

Resolution 503/2021/R/com of 16 November 2021: further measures in electricity, gas and integrated water services to support populations affected by the earthquakes of 2016 and 2017

As a result of Consultation 368/2021/R/com, the measure extends the tariff benefits set out in Resolution 252/2017/R/com in favour of supplies and users under emergency solutions (SAE and MA-PRE); operators may only suspend these benefits following a request for termination or transfer of usership, but not in the case of transfers for *mortis causa*.

The measure also extends the provision of Resolution no. 277/2021, which states that for the entire duration of the benefits, the resident

domestic tariff will be applied both to the home that is uninhabitable and to any users/supplies where the one domicile is established after the earthquake event, without the registered residence being transferred. This case (the only one that could affect Acea Ato2) has so far not been observed in the managed territory.

CONSUMER PROTECTION

With regard to consumer protection, in the first half of 2021, the Conciliation Service published its Annual Report on the activities carried out, with the relevant press release dated 5 February 2021. Also of note is the publication of a resolution whereby ARENA proposes projects to the Ministry of Economic Development that would benefit consumers funded by the Authority’s sanctions fund, pursuant to Art. 11-*bis* of Decree-Law 35/05.

With regard to the 2020 Conciliation Service Report, the document notes that in 2020 the ARERA Conciliation Service made it possible for customers and users to obtain or save over € 10.3 million, by resolving disputes with regulated service operators (water, electricity and gas sector) and guaranteeing full operations and continuity during the health emergency; the Report also underlines that a new “Conciliation Service” app will shortly become available, providing direct access to a reserved area to resolve disputes more simply, by using the new mobile version of the platform on one’s own smartphone or tablet.

Of specific interest is the information that the number of applications grew in 2020, going from the 16 thousand in 2019 to over 18 thousand, with 70% of the agreements between parties on procedures finalised. The highest concentration of conciliation applications was in the Lazio and Abruzzo regions, followed by Calabria, Basilicata and Campania.

The majority of the applications refer to cases related to the electricity (10,054) and gas (4,794) sectors; this is followed by the water (2,332) and dual fuel (1,330) sectors. An attempt at reconciliation is mandatory before approaching the courts in the energy sectors, whereas it is still optional in the water sector. The total amount of € 10.3 million in 2020 (amount expected to increase once the procedures still pending are completed), represents for example, the amounts reimbursed to customers, indemnities, the recalculation of incorrect billing or the waiver of default expenses or interest by suppliers. This number, which is constantly increasing and has doubled compared to the 5.6 million in 2018, is subdivided almost in half between non-domestic (51%) and domestic (49%) customers, even though the applications submitted by households is higher in terms of numbers (over 70% of the total). The matters most often dealt with refer to billing, especially in the gas and water sectors, contracts, in particular for the supply of dual fuel, claims for damages especially in the electricity sector, and net metering for prosumers. Furthermore, in around 68% of all applications sent, consumers preferred to be represented by a proxy (for example, a consumers’ association). Finally, it should be noted that around 20% of applications were not accepted, mainly because the customer decided not to complete the application or for procedural reasons (missing documentation, deadlines, scope of application).

Regarding the project proposals to benefit consumers, with Resolution 483/2020 published on 4 February 2021, the Authority formulated a proposal to the Ministry of Economic Development to allocate a portion of € 1.6 million to the cost equalisation fund

account relating to the provision of the water bonus, which is supplemented by the UI3 tariff component, so as to reduce the requirement of the account for 2020, and reduce the charges in respect of IIS users. The fund to finance projects for the benefit of electricity, gas and IIS consumers was established in terms of Italian Decree-Law 35/2005 and the sanctions imposed by ARERA are currently channelled into the fund. Likewise, with Resolution 901/2017, ARERA had proposed allocating an amount of € 1.2 million) to the UI3 Account for 2018; the proposal was accepted by the Ministry in terms of the Decree dated 5 April 2018.

Finally, it should be noted that an historic agreement was signed on 7 April 2021 between seven major companies in the energy, water and district heating sectors (Acea SpA, A2A SpA, Edison Energia SpA, Enel Italia SpA, Eni Gas e Luce SpA, E.ON Energia SpA, Iren SpA) and 20 consumer associations belonging to the National Consumers and Users Council – CNCU. For the first time in Italy, based on the positive experiences gained in recent years, a Single Protocol was signed with the aim of relaunching joint negotiations, strengthening the alternative resolution instruments for disputes, by consolidating dialogue between companies and consumer associations and strengthening the relationship of trust with consumers. In particular, based on this Protocol, Parties *“undertake to promote and develop joint negotiations, as a significant means to resolve disputes out-of-court and to affirm co-existential justice”*.

Still on the subject of consumer protection, the approval of Resolution 301/2021/E/com of 13 July 2021 partially amended Resolution 142/2019/E/idr, thereby reducing from 300 to 100 the minimum number of resident inhabitants served, above which the operator is obliged to participate in the procedures activated at the ARERA Conciliation Service. Following the change in scope, the Authority also updates the table of operators obliged both to participate in the procedures and to fulfil the disclosure obligations already reported in the aforementioned Resolution 142/2019.

The measure also extends to the integrated water service the shortened rules for calling the first meeting of the parties before the Conciliation Service: the convening period is reduced from 10 to 5 days from notification of the parties, in cases where the user attaches the default notice to the request for conciliation, indicating the date from which any limitation/suspension/deactivation of the supply may be made, for invoices that have been promptly contested with the complaint.

The Authority establishes that the provisions of the resolution applicable to the water sector shall take effect from 1 January 2022, thus giving the operators concerned a reasonable time to perform the fulfilments required for enabling access to the IT platform of the Authority’s Conciliation Service. Lastly, there will be a further monitoring period (at least once a year) to check the state of implementation of the regulatory changes introduced, also by calling further meetings of the technical panel already established by Resolution 55/2018/R/com.

With Resolution 343/2021/A of 3 August 2021, ARERA approved the proposal for the “Update of the Consumer Counter Project 2021-2022” submitted by Acquirente Unico on 20 July 2021, taking account of how the new automatic bonus recognition rules would affect the Consumer Counter’s activities; in particular, the update proposal sets out an additional spending forecast for the period 1 January 2021 – 31 December 2022; the figure is 11% higher than

the forecast already approved for the two-year period and amounts to a maximum of over €15 million. There may be updates to this estimate, which AU will send to ARERA by 30 September 2021.

Increased awareness of consumer protection has resulted in the presentation, in the Chamber of Deputies, of the proposal to set up a Parliamentary Commission of Inquiry on Consumer and User Protection (Doc. XXII, No. 56). The Report states that this is the first time the creation of a Commission on this subject has been proposed, and that its main purpose is to gather data and information that could form the basis for future legislative or policy measures. It is envisaged that the Commission will investigate the main and most recurrent forms of unfair practices and unethical behaviour damaging to consumers and users, and will check the effectiveness of the protection instruments and of the work of consumer associations at national and local level.

The Commission will also be tasked with carrying out wide-ranging monitoring activities on the state of implementation of existing consumer and user protection legislation, and will verify its effectiveness in terms of both prevention and sanctions. A further goal is to make consumers and users more knowledgeable about the institutions and rules that exist for their protection, in order to make them more aware of their rights and of the instruments at their disposal to prevent or stop unjustified abuses. The proposal was submitted on 3 June 2021 to the Chamber, which approved the text on 13 October 2021 with 410 votes in favour and 1 abstention; the announcement of the setting up of the Commission was officially made by the President of the Chamber on 2 December 2021.

Finally, please note the half-yearly report on the Conciliation Service’s activities for the first half of 2021 (the data is updated to 20 September 2021), published on ARERA’s website in the last quarter of 2021.

The Report shows that in the first half of 2021, 11,376 conciliation requests were submitted. Of these, 2,112 were related to the water sector, 5,420 to the electricity sector, 2,847 to the gas sector, with the remainder relating to Dual-Fuel and Prosumer customers.

As regards the topics covered by the questions in the water sector, 75% concerned billing, 4.9% contracts, 4.8% metering, 3.5% arrears and suspension and 3.3% connection and works. The regions with the highest number of applications are Sardinia, Lazio, Campania and Liguria, followed by Calabria, Basilicata, Apulia and Molise. At the end of the conciliation procedure, 4,108 customers were asked to take part in a satisfaction questionnaire; 95% of them said they were satisfied with the service received. We now await the publication of the 2021 Annual Report.

TARIFF DETERMINATION ATO 2 CENTRAL LAZIO - ROME

With Resolution 197/2021/R/idr dated 11 May 2021, ARERA approved the tariff provisions for the third regulatory period (four-year period 2020-2023), adopted by the Mayors’ Conference of Ato 2 Central Lazio - Rome Ato 2 SpA with Resolution 6/20 at the meeting of 27 November 2020. Pending approval by the Authority, the tariff prepared by the Governing Body in compliance with paragraph 7.3, letter b) of Resolution ARERA 580/2019/R/idr (MTI-3), was applied.

The main points of the tariff provision are as follows:

- Placing of the management in the regulatory scheme related to the 5th quadrant pursuant to paragraph 5.1 of Annex A (MTI-3) of Resolution 580/2019/R/idr (high investments with respect to the value of the existing infrastructures and average per-capita Guaranteed Revenue Constraint (GRC) higher than the national average figure determined by ARERA);
- Works programme for the four-year period 2020-2023 for over € 1,300 million), with new investments for around € 90 per capita per year; an additional amount of around € 3,200 million is envisaged for the subsequent period 2024-2032;
- Tariff multiplier theta (to be applied to the tariff in force at 31/12/2015) of 1.020 for 2020, 1.078 for 2021 and for the following two years of 1.139 and 1,202 respectively. The theta multipliers for 2022 and 2023 may be redetermined following the biannual update, as provided in art. 6 of Resolution 580/2019/R/idr;
- Use of what is not spent of the solidarity contribution collected in the whole of 2019 (more than € 5.6 million) to reduce the tariff adjustments due for 2020 and 2021;
- Adoption of the value of the Ψ parameter of 0.45 (the maximum value provided for in Resolution 580/209/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNI_{new});
- Portion as per paragraph 36.3 of Annex A of Resolution 580/2019/R/idr, aimed at integrating the national mechanism to improve the quality of the integrated water system (to be paid to CSEA and included in billing documents with the relevant reason) of € 0.4 cents/mc applied to water pipeline, sewerage and purification volumes with effect from 01/01/2020.

After the tariff approval by ARERA, in July the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting the RDT (Tariff Data Collection) calculation file to the Authority's prescriptions and, for consistency, doing likewise with the accompanying Report and the report on quality objectives and the Action Plan/Strategic Works Plan. The main changes consist of a variation in distribution of some Guaranteed Revenue Constraint (GRC) components for the years 2022 and 2023 and the updating of the calculation methods for some technical quality indicators. However, there is no change in the tariff multiplier values for the 2020-2023 four-year period compared to what was approved by the Mayors' Conference.

The aforementioned resolution of the Conference of Mayors no. 6/2020 also updated the implementation regulation for the integrated water bonus for the Ato 2 Central Lazio - Rome. As extraordinary measures and up to 31/12/2021 (unless extended), the new provisions introduced allow users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA exclusively to cover earlier arrears, in addition to the ordinary amount to have access to a further once-off amount up to three times the ordinary value.

Those entitled are direct users (holders of a residential household account) and indirect users (household users in an apartment complex) with the following requisites:

- a. ISEE indicator up to € 13,939.11 and household of up to 3 members;
- b. ISEE indicator up to € 15,989.46 and household with 4 members;
- c. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Under their own responsibility and based on specific certification by the relevant offices, the Municipal Administrations also have the power to authorise the supply for individual users in situations of proven particular economic/social hardship, increasing the ISEE threshold for admission for this specific case.

The amount of the "local" bonus, consisting of the payment of a once-off annual contribution recognised in the bill (in the case of indirect users in the apartment building utility bill), is calculated as the expenditure corresponding to the fixed and variable fees for water, sewerage and purification for a consumption of up to 40 cubic metres per year for each member of the household, for direct and indirect users with ISEE up to € 8,265 and 20 cubic metres per year for each member of the household for other eligible users, based on the tariff in force during the reference year. The bonus is valid for one year and is paid in a single payment, normally within 6 months from the date of submission of the application.

It is worth noting finally the approval, with Mayors' Conference Resolution No. 4-21 of 1 July 2021, of the Regulations for users of the integrated water service in OTA 2 Central Lazio - Rome, updated with the supplements necessary to implement the legislative innovations introduced *ope legis*.

UPDATE ON APPEALS AGAINST THE ARERA TARIFF REGULATION

In 2013 Acea Ato2 filed an appeal against Resolution 585/2012 (MTT) and subsequent resolutions that amended and supplemented the contents (Resolutions 88/2013, 73/2013 and 459/2013). The appeal was partially upheld by the regional administrative court of Lombardy 2528/2014, against which both Acea Ato2 and ARERA have appealed.

At the public hearing held on 29 September 2015, the suspension of the pending judgement and the postponement of the decision to a later date were ordered. This followed the outcome of the technical office consultancy arranged for the appeals proposed in 2014 by Codacons and the associations Acqua Bene Comune and Federconsumatori, considering the existence of a relationship of dependence-consequentiality between the decision of the appeal by ARERA and the decision on appeals promoted by the Consumer Associations, focusing in particular on the tariff component relating to the financial charges of the IWS manager, i.e. on the formulas and parameters implemented in art. 18 of Annex A of Resolution ARERA no. 585/2012 of 28 December 2012 (TTM), considered as a reintroduction of the criterion of "adequacy of invested capital" that had been eliminated by the outcome of the 2011 referendum. The expert committee, appointed in October 2015, filed the report on 15 June 2016, concluding that the formulas and parameters aimed at calculating the interest rate of reference are considered reliable and reasonable in terms of national and international regulations and the component of risk coverage considered in the Resolution.

On 15 December 2016 the final hearing of the proceedings was held and on 26 May 2017 sentence no. 2481/2017 was published with which the Council of State, accepting the conclusions of the panel of experts, reaffirmed the full legitimacy of the tariff methodology adopted by ARERA. As a result, it rejected the Codacons and Acqua Bene Comune/Federconsumatori appeals mentioned above, with consequent confirmation of the contested sentences. The subsequent hearing before the Council of State was set for 20 September 2018.

Following the hearing, held as planned on the scheduled date, the

Council postponed the discussion of the judgement, inviting the parties to file some briefs (to be presented by 19 December 2018) to make sure that there were no delays in resuming the appeal proceedings. At the hearing in question, however, the judge had not set the date of referral, which was instead established only in the early days of 2019. At the hearing held on 13 June 2019, part of the grounds for appeal were waived and the Council of State ordered the acquisition of the expert's report submitted by the aforementioned parties (Codacons, Acqua Bene Comune, Federconsumatori) in order to submit it to the parties for oral arguments. The hearing after that was set for 2 April 2020. Owing to the Covid-19 emergency the new public hearing was set for 10 December 2020 inviting the parties to: 1) file documents by 19 November 2020; 2) file briefs by 24 November 2020; 3) file replies by 28 November 2020. The hearing at the Council of State was brought forward to 22 October 2020 inviting the parties to: 1) file documents by 1 October 2020; 2) file briefs by 6 October 2020; 3) file replies by 10 October 2020.

A partially favourable judgement, no. 8079/2020 16 December 2020:

- accepted Ato 2's appeal related to non-recognition of the CCN in relation to other water activities, the only ground for the appeal that the Company had decided not to waive;
- rejected the Authority's appeal related to financial expenses on adjustments, with reference to which already the Lombardy Regional Administrative Court (RAC) had found in favour of Ato 2;
- accepted the said Authority's appeal concerning the ground on non-enforceable receivables.

As of the date of this report, the appeals filed by Acea Ato2 with the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/idr (MTI), Resolution no. 664/2015/R/idr (MTI-2) and Resolution no. 580/2019/R/idr (MTI-3) are still pending.

With regard to Resolution 643/2013, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/idr. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 Acea Ato2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. The hearing was therefore set for 22 February 2022. As of today the final judgements have not been issued.

With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/idr (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.

In February 2020, Acea Ato2 also challenged Resolution 580/2019/R/idr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters

and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea Ato5, Acea Molise and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/idr for the adoption of urgent measures in the integrated water service, in the light of the Covid-19 emergency was also appealed. We are awaiting the scheduling of the hearing.

The regulatory activity of the Lazio Region in terms of territorial planning and governance of the Integrated Water Service

With regard to the developments concerning the redefinition of the Hydrographic Basin Optimal Territorial Areas (ATOBI), provided for by Lazio Regional Decree 218/18, we await developments on the regional law proposal to modify the current governance, submitted to the Region by the Technical-Scientific Committee – which was established for this purpose. We also await news on the setting up of the Institutional Consultation Committee attended by the delegates of the Mayors' Assemblies of all the OTAs.

Worthy of note in this regard is the publication, in the BURL no. 73 of 22 July 2021, of Regional Council Resolution no. 10 of 14 July 2021 concerning "Amendments to the Optimal Territorial Areas no. 1 North Lazio - Viterbo and no. 2 Central Lazio - Rome, pursuant to art. 3 of Regional Law no. 6 of 22 January 1996 (Identification of Optimal Territorial Areas and organisation of the Integrated Water Service, implementing Law no. 36 of 5 January 1994)", which involves the transfer of the Municipality of Campagnano from Ato 1 to Ato 2 Central Lazio - Rome.

Also of note are the publication (BUR Lazio Region No. 33 of 1 April 2021) of the Notice for the adoption of Water Management Plan (PGDAC) and Flooding Risk (PGRAC) projects relating to the Central Apennines river basin district. This refers to the second update of the PGDAC and first update of the PGRAC, made available on the basin Authority's website for consultation and the submission of comments, together with the calendar for information meetings and the initiatives for the consultation and circulation of the Plan projects, in order to receive comments from the various stakeholders involved.

In addition, the Regional Landscape Territorial Plan (PTPR) (BUR no. 56 of 10 June, Supplement no. 2) was published and approved by the Regional Council on 24 April. The plan had already been approved in August 2019, but had not passed the review by the Constitutional Court after the appeal submitted by the Government; the resolution was in fact rejected because it did not reflect the prerequisites of the Cultural Heritage and Landscape Code (Urban Code), which require that the PTPR is drafted on the basis of joint planning between the Region and Ministry of Culture.

We also note that the Committee for Economic Planning and Sustainable Development (CIPESS) approved the Development and Cohesion Plan for 18 Regions and Autonomous Provinces, including the Lazio Region. The resolution of 29 April 2021 on the Lazio Region was published in the Official Gazette No. 198 of 19 August 2021.

Finally, the "Regional Plan for the construction and upgrading of water and sewerage networks and wastewater treatment plants for the 2021-2023 three-year period" was approved by Council Reso-

lution No. 905 of 9 December 2021, published in the Lazio Region Official Gazette No. 117 of 16 December 2021. The funded works are reported in annex “A” of the measure and broken down by OTA; in particular, Ato 2 provides for more than 13 interventions, including the Municipality of Rome, for a total amount of more than € 2 million. The measure also provides that, under penalty of forfeiture of funding, the entity implementing the works must be identified as the manager of the IWT of each OTA and that, if the municipality where the works are to take place is still the owner of the water service, the actual service and all its components must be transferred to the single manager of the Ato.

Finally, it should be noted that after the observation period, ARE-RA published some resolutions to be highlighted.

Resolution 18/2022/R/idr of 18 January 2022: Extension of the deadline for concluding the procedure to comply with Council of State ruling No. 5309/2021 on the tariff regulation of the integrated water service from 31 December 2021 to 15 March 2022. With Resolution 373/2021/R/idr, ARERA initiated a procedure for compliance with the Council of State’s ruling 5309/2021 on the renewal of the enquiry — concerning only the above mentioned profiles — underlying the tariff determinations set out in Resolution 104/2016/R/idr (Approval, for the purposes of calculating adjustments under the tariff method for the MTI-2 second regulatory period, of the tariffs for the Sarnese Vesuvian Optimal Territorial Area for the 2012-2015 period).

Resolution 69/2022/R/idr of 22 February 2022: Launch of the procedure for quantitative assessments, relating to the 2020-2021 two-year period, provided for by the IWT contractual quality incentive mechanism, which is expected to be completed by 31 December 2022.

The procedure is divided into the following two stages:

- stage a) identification of the management entities for which there is a complete set of information for the definition of the Stage III ranking (class A - maintenance goal, level of excellence), and for the attribution of bonuses and penalties in all Stages. In particular, bonus factors will only be attributed in this stage if:
 - the AGB has transmitted the tariff structure documents (paragraph 5.3 of Resolution 580/2019/R/idr) or, in the event of the AGB’s failure to act, the operator has transmitted the tariff update request documents to the Authority. If such document transmissions do not take place, the following shall be assumed in order to calculate the penalty referred to in paragraph 96.4 of the RQSII: $OpEx_{QC}^{i a} = 0$ and $VRG_i a = 0$, so that the penalty will only be equal to the incentive QC (share of the revenue of the UI2 component allocated to Stage I and II bonuses) divided by parameter N;
 - the AGB produces the relevant validation report (issued in accordance with the procedures set out in the Communiqué of 1 February 2022) showing that the AGB has checked that the information and data sent by the operator match the additional data available to the competent entity, and that the information and data in the “Summary by Macro-indicators” used to apply the incentive mechanism have been positively validated;
 - the operators concerned have paid the UI2 equalisation component to CSEA.
- Stage b) attribution of the penalties associated with Stages I and II for all management entities that have not sent, within the Au-

thority-set deadlines, the data necessary for the assessment of the contractual quality objectives. Note that for these management entities, the follow-ups provided for in art. 2, paragraph 20, letter c), of Law 481/95 (administrative fines for non-compliance with ARERA measures, with the option, in the event of repeated breaches, of suspension of business activity) may be evaluated. The Authority specifies that the parameter N to be applied to the penalty calculation denominator (formula referred to in paragraph 96.4 of the RQSII) is the same as that quantified in step a) and is therefore equal to the number of operators for which a complete set of information is available. Not included in this point are those entities that suffer persistent problems in starting the necessary planning and management organisation activities with application of the convergence regulatory scheme (art. 31 MTI-3).

A later provision will deal with the determination of the portion of revenues from the UI2 component earmarked for bonuses for the years 2020 and 2021, also taking into account the application of the technical quality incentive mechanism referred to in Title VII of the Technical quality regulations for the SII (RQTI) for the same two-year period.

ELECTRICAL REGULATION

Biennial limitation

The Authority published Resolution 184/2020/R/com, with which it adapted the sector regulations to the provisions established by art. 1, paragraph 295 of the 2020 Budget Law, providing for the modification of the sentence to be included in the annex to the invoice containing amounts subject to limitations, eliminating the case of customer liability. On 27 July 2020 Acea Energia presented an appeal to the Lombardy Regional Administrative Court against this resolution alleging its illegitimacy because, linking the application of limitation to the mere passing of time, without considering any obstructive behaviour of the final customers, would lead to a not-constitutionally-oriented interpretation of the 2020 Budget Law. With a judgement of 14 June 2021, the Regional Administrative Court of Lombardy accepted the appeal, with consequent cancellation of resolution 184/2020/R/com, on the basis that the interpretation of the 2020 Budget Law had only referred to the duration of the limitation (two years instead of five years), without however excluding the applicability of the general civil code regulations regarding limitation. With Consultation Document 457/2021/R/com, in order to implement the provisions of the 2020 Budget Law and in compliance with Rulings Nos. 1441, 1444 and 1449 of 2021, the Authority intervened in order to revise the information obligations set out in Resolution 569/2018/R/com, in cases of billing of consumption dating back more than two years, to favour smaller end customers deemed worthy of stronger protection.

With Resolution 603/2021/R/com, the Authority amended Resolution 569/2018/R/com on the billing of consumption dating back more than two years as a result of DCO 457/21, in order to comply with 14 June 2021 Rulings 1441, 1444 and 1449 of the Lombardy Regional Administrative Court. With this resolution, the Authority confirmed the distributor’s obligation to notify the seller, via certified email (PEC) — contemporaneously with the metering or adjustment data referring to consumption dating back to a period more than two years back — the indication of the presumed existence or non-existence of causes hindering the accrual of the

limitation period pursuant to the primary and general reference legislation. It also confirmed that the seller's information obligations vis-à-vis the end customer should be separated depending on whether or not there are any amounts on the invoice for which the limitation is contested. The Authority has also provided for a transitional phase, pending the implementation of the flows between the various entities in the chain and the IWT, which provides for the same information to be transmitted between the parties in a non-automated manner but with a defined time frame.

With consultation **330/2020/R/com**, ARERA pre-announced the introduction of a mechanism aimed at sterilising the negative effects of the biennial limitation affecting traders to the detriment of inefficient distribution companies. More specifically, the offsetting mechanism that it intends introducing would only apply in cases where the limitation is challenged by the customer as a consequence of the adjustments arising from delayed adjustments on the metering data previously communicated by the distributor. In these cases, the trader would be compensated for the transportation costs paid to the DSO as well as the expenses incurred to purchase the raw materials and the dispatching based on a reimbursement mechanism funded by the less efficient DSOs in terms of making available the metering data that generated the delayed adjustments where the limitation could possibly apply.

The consultation has not yet been followed by any measures.

Following on from DCO 386/2021, the Authority published Resolution 604/2021/R/com, which provides for:

- an annual compensation mechanism for the greater protection operator or the dispatching user associated with a withdrawal point, making it possible also to recover in the successive annual session any amounts not recovered in the reference annual session;
- a mechanism to make distribution companies liable, whereby from 2023 all electricity distribution companies will be required to pay a penalty to CSEA each year for recalculations invoiced in the previous year due to non-collection of actual readings or adjustments of actual metering amounts previously utilised, for the portion prior to 24 months of the date on which the data was made available.

Covid-19 health emergency

In implementation of the Relaunch Law Decree, Resolution 190/2020/R/eel was published on the reduction of tariffs for low voltage non-domestic users. With this document, the Authority established that:

- for the months of May, June and July only, the reduction of the metered distribution tariffs and general charges (ASOS and ARIM) for other LV users;
- if bills have already been issued for May, any adjustments due pursuant to the resolution must be made within the second subsequent bill;
- for each month of the period of reference, BTA6 users are granted a refund if the maximum power withdrawn in the month does not exceed 2.0 kW. This refund is granted by the distribution companies to the sales companies by 30 September 2020 and by the latter to customers by 30 November 2020.

In implementation of Support Decree-Law. With Resolution 124/2021/R/eel, the Authority ordered the transitory reduction of tariffs for low-voltage non-domestic users, for the period 1 April-30 June 2021. With this document, the Authority established that:

- for the period 1 April-30 June 2021, for other use LV users (ex-

cluding public lighting and recharging points for electric vehicles in places accessible to the public), a reduction is provided on the distribution and metering tariffs and the components covering general charges (ASOS and ARIM);

- for each month of the reference period, BTA6 users are granted a refund if the maximum power withdrawn in the month does not exceed 2.0 kW. Distribution companies will pay this refund to the sales companies by 30 September 2021, who in turn, will pay this benefit to end customers by 30 November 2021;
- by 30 September 2021, distribution companies will send the Cassa the necessary information to quantify the lower income deriving from the reduction in tariff components to cover the electricity distribution service and metering costs. The Cassa will arrange the offsetting by 31 October 2021;
- the funds allocated by the Government (€ 600 million) and paid to the Covid-19 emergency Account, for the portion exceeding the resources need to provide the offsetting to distributors, are intended to reduce the tariff rates relating to general charges;
- if at the date when this provision comes into effect, bills have already been issued for April, the relevant adjustments must be made within the second subsequent bill.

The Support Decree Law *bis* was published on 26 May, extending the reduction in charges for SME bills until the end of July 2021. Subsequently, in implementation of art. 5, paragraph 1, of the "Support Bis" Decree-Law, the Authority published Resolution No. 279/2021/R/eel, which extended the provisions already adopted with Resolution 124/2021/R/eel, thereby providing a reduction for other LV users up until 31 July 2021 of the distribution and metering tariffs and the components covering general system charges. With Resolution 278/2021/R/com, the Authority consequently reformulated the general charges (ASOS and ARIM) for the quarter July-September 2021.

In implementation of the provisions of art. 3 of Decree-Law 130/2021 of 27 September 2021, the Authority published Resolution 396/2021/R/com with which it ordered:

- the cancellation, for the October-December 2021 quarter, of the ASOS and ARIM tariff component rates for all LV domestic and non-domestic users with power available up to 16.5 kW;
- the introduction of an additional social bonus for the billing period from 1 October to 31 December 2021.

Resolution **349/2021/R/eel** provides for an increase, for 2021, of the deductibles within which penalties for delays in the commissioning forecasts are not activated. However, these penalties were not completely suspended as happened in 2020 (the deductible goes from 95% to 90% for companies that started the PMS2 in the years prior to 2021).

Measures to limit bill price increases

In order to limit the effects of the increased price of raw gas/electricity in the last quarter of 2021, on 27 September Decree-Law 130/2021 (the Bills Decree) was published in the Official Journal. It reduced the VAT rate in the natural gas sector to 5 per cent for the supply of methane gas for civil and industrial combustion use, applicable to invoices issued for estimated or actual consumption for the months of October, November and December 2021. As for the electricity sector, the Bills Decree reduced the general system charges for all electricity users for the fourth quarter of 2021; in particular, it cancelled the general charges for LV domestic

and non-domestic users with power available up to 16.5 kW. The Authority subsequently published Resolution 396/2021/R/com, which implemented the provisions of the Bills Decree. In relation to electricity billing in the last quarter of 2021, the Authority cancelled the rates of the ASOS and ARIM tariff components for all domestic users and other LV users with power available up to 16.5 kW. In the natural gas sector, the measure cancelled the rates of the RE, RET, GS and GST tariff components for October, November and December 2021.

Resolution 396/2021/R/com introduced an additional social bonus for the billing period from 1 October to 31 December 2021.

Social bonus

As provided for in Decree-Law 124/19, ARERA published Resolution 63/2021/R/com, subsequently supplemented by 257/2021/R/com, which governs the new method of disbursing the economic bonus from 2021. The new rules, coming in the wake of a series of focus groups and consultations organised by ARE-RA, allow end customers in difficult circumstances to automatically receive the discount in their bills without having to specifically apply for them.

The new bonus disbursement process gives a central role to INPS, which has to identify the benefit recipients, and for the IWT, which has to identify the supply to be supported and ensure that the benefit targets only the household and year in question.

The Authority also introduced a series of other measures to regulate the disbursement of the residual bonus accruals for 2020 and the disbursement of the recovery of the accruals, due for the first months of 2021 but still unpaid since the new rules only came into force for sales operators after July 2021.

Intended to cap the supply spending increases expected in the fourth quarter of the year, the subsequent Resolution 396/2021/R/com introduced an additional social bonus for the billing period from 1 October until 31 December 2021.

Completion of the contract transfer registration process for the electricity sector: transfer registration with change in supplier

With Resolution 135/2021/R/eel, the Authority introduced the option of selecting the commercial counterparty during the contract transfer registration phase, prior to having published Consultation Document 586/2020/R/eel. These provisions are applicable as from 30 October 2021 (Resolution 360/2021/R/eel), whereas with reference to transfer registration applications on a withdrawal point associated with the Gradual Protection Service, it will be possible to select a commercial counterparty as from 1 July 2021.

Without prejudice to the fact that, in the case of a refusal, the customer is free to approach another open market vendor or last resort service operator, in which respect the obligation remains to accept the transfer registration.

The Authority published Resolution 360/2021/R/eel, which also states that in the event of a change of supplier, the existing commercial counterparty must tell the end customer supply contract holder that the contract is being terminated, specifying the reasons for it.

Network losses

With Resolution 449/2020/R/eel the Authority amended the regulation on network losses for the three years 2019-2021:

- reducing the commercial loss factor recognised in LV which for Areti goes down from 2% to 1.83% valid from the equalisation accruing to 2019 and, as a consequence, the percentage of standard loss to be applied to withdrawals of LV final customers

which, from 1 January 2021, goes down from 10.4% to 10.2%;

- awarding to the DSOs, for the three years 2019-2021, an equalisation amount equal to the lower between the value obtained counting the energy lost with the selling price to higher protection providers (PAU) differentiated by month and by band and that obtained from the annual average PAU;
- it does not introduce for DSOs the process of ensuring greater efficiency of commercial losses, unlike what was anticipated in the consultation;
- introduces a mechanism for recognising non-recoverable fraudulent withdrawals on an application by the companies — to be presented in 2022 with reference to the three years 2019-2021 — after checking the existence of the following requisites:
 - the total result of the equalisation in the three years 2019-2021 must be to the debit of the company;
 - the condition pursuant to the previous point must be aggravated by non-recoverable fraudulent withdrawals attributable to the following cases:
 1. cases for which interruption of the supply can cause public order problems or put at risk people present in the place and the operating personnel tasked with carrying out the disconnection and for which there is a formal report to the competent authorities;
 2. cases of buildings occupied abusively for which there are measures of public authorities that prevent interruption of the supply;
 - if the fraudulent withdrawals are in part estimated, it is necessary to specify the estimation criteria adopted, justify their validity and the results through measurements — for a period of at least 6 months — on a representative sample of 10% of the estimated withdrawals;
 - fixes a cap on the amount payable to the company equal to the reduction to zero of the total penalty over the three years 2019-2021.

Continuity of the service

With the Integrated text on output-based regulation in force from 1 January 2020, the Authority introduced the possibility for the DSOs to present regulatory experiments to improve the service quality in particularly critical contexts. A specific feature of these experiments is the suspension of the penalties for the experimental period and their non-retroactive application if the target levels for the indicators of number and duration of interruptions without notice, set by the current regulations, are achieved.

In this context, Areti presented its proposal, outlining a process for improving the technical quality indicators different from that defined by the ordinary regulation. This proposal was approved by the Authority with **Determination 20/2020** of 20 November 2020.

Very briefly, the measure postpones to 2024 the calculation of the bonuses and penalties for the entire four-year period 2020-2023 and provides for the activation of an additional bonus mechanism if the target proposed at 2023 is achieved and the effective annual levels achieved are better than those proposed in the experimentation. Two specifications:

- the total bonus obtained cannot be more than that achievable in the ordinary regulation;
- in the event of non-achievement of the improvement commitment indicated, Areti must pay any penalties that it would have incurred in the four-year period, in the absence of an extension.

As regards the 2019 accrual, the national service continuity results were made known with **Resolution 462/2020/R/eel**; these confirmed for Areti a penalty of € 5.4 million.

Resilience Plan

With **Resolution 500/2020/R/eel** the 2020-2022 Resilience Plan sent by Areti on 30 June 2020, including the final results of the actions completed in 2019, was approved: for actions already previously included in the 2019-2021 plan and not yet completed the completion dates were confirmed, without taking into consideration the delaying effects associated with the emergency situation in progress.

Furthermore, with **Resolution 563/2020/R/eel**, the Company was granted the a bonus of around € 3.1 million for the interventions completed in 2019.

With **Resolution 536/2021 the Authority** established which interventions to increase distribution network resilience qualify for bonuses and/or penalties, relative to the 2021-2023 plan, under the incentive mechanism defined in the TIQE (for areti, 47 interventions out of 56 qualify for bonuses/penalties and 9 for penalties). Also, **Resolution 537/2021/R/eel** determined the bonuses and penalties relating to the electricity distribution network resilience increase interventions concluded in 2020 (for areti, the 2020 resilience bonus adds up to € 5,278,960.80, which CSEA paid to the Company by the end of 2021).

Energy efficiency certificates and tariff contribution awarded to distributors

On 14 July 2020, **Resolution 270/2020/R/efr** was published; this contained the new rules for defining the tariff contribution to cover the costs incurred by DSOs with regard to obligations arising from the mechanism of energy efficiency certificates. The measure confirms the value of the cap on the tariff contribution of € 250/EEC and introduces, starting from the current obligation year, a consideration additional to this contribution, to be awarded to each distributor for each EEC used to comply with its obligations. On the one hand, ARERA repeats that it considers the cap an instrument necessary to limit the changes in market prices, on the other, it considers opportune to provide for an additional consideration in support of distributors in the light of the economic losses that they are forced to incur owing to the scarcity of EECs available. On 13 October 2020, Areti presented an appeal for cancellation of the resolution.

The resolution, in addition, introduced the possibility of requesting from CSEA the extraordinary consideration in advance of 18% of the specific target for the 2019 obligation year, in order to finance distributors which having already acquired EECs at the beginning of the period, then suffered the negative effects of the extensions of the end date of the obligation year laid down in the Italian Relaunch Decree Law (30 November 2020). Areti submitted an application on 31 August 2020.

In December 2020, **Resolution 550/2020/R/efr** confirmed the value of 250 €/EEC for the tariff contribution awarded for the 2019 obligation year and fixed at 4.49 €/EEC the value of the additional consideration.

In view of the continuous increase in prices once again during the first half of 2021, the main sector associations sent a letter to Mite, urging the adoption of urgent measures, especially regarding the correction for the current year, and reimbursement of the extra costs.

On 31 May 2021, the Decree of the Ministry for the Ecological Transition was published in the Official Gazette, containing the

“Determination of national energy saving targets that could be pursued by electricity and gas distribution companies for 2021-2024 (so-called white certificates)”. The Decree extended the expiry of the obligation year 2020 to 16 July 2021, and the Authority subsequently published Determination 6/2021-DMRT, whereby it determined the primary energy saving obligations for electricity and natural gas distributors for the obligation year 2020, setting Areti an obligation of 54,848 white certificates.

On 3 August 2021, the Authority issued **Resolution 358/2021/R/efr**, with which it confirmed the cap at 250 €/EEC and the additional unit fee at 10 €/EEC. In view of the extension of the deadline for the 2020 obligation year to 16 July 2021 and the regulatory uncertainty still existing in the run up to this deadline, the Authority published **Resolution 547/2021/R/efr** in which it confirmed its intentions stated in DCO **359/2021/R/efr**. In particular, the Authority established that electricity and natural gas distributors will be granted an exceptional additional component of 7.26 €/EEC for each certificate delivered at the end of the 2020 obligation year, applicable to their own specific target for that obligation year and to any remaining portions of the targets for the 2018 and 2019 obligation years, but not beyond the threshold of their own updated specific target. The exceptional component was envisaged to cover the extra costs incurred by operators for the difficulties in procuring the EEC needed for the upcoming target deadlines.

The Authority published Determination **16/2021 – DMRT** with which it defined the 2021 EEC obligation for areti, which amounts to 16,580 EECs.

TARIFF REGULATION

With **Resolution 461/2020/R/eel** of 17 November 2020, the Authority introduced the mechanism for replenishing credits relating to network services that would otherwise not be recoverable by DSOs; the move allowed areti to collect an advance payment of 50% by the end of 2020 and the replenishment balance by 31 August 2021.

With resolution **614/2021/R/com**, following the consulting process in the second half of 2021, the Authority updated the criteria for determining and updating the remuneration rate for capital invested in infrastructure services for the electricity and gas sectors for 2022-2027, setting the rate at 5.2% for electricity distribution and metering.

At the same time, ARERA published the consulting document 615/2021/R/com containing “Guidelines for developing ROSS-base regulations to apply to all regulated electricity and gas infrastructure services” which describes the methodological approach it intends to follow in developing ROSS systems (Regulation for Spending and Service Objectives), for tariff regulation of electricity and gas infrastructure services. The ROSS methodology will replace the current regulatory approach that entails separate recognition of operating and capital expense, in favour of a system based on the concept of “total reference spending”, the application of sharing ratios relative to total efficiency and the application of capitalisation rates set by the regulator. This new approach is currently still in the consulting stage.

In December 2021, in addition, the updates of the obligatory transmission, distribution and measurement tariffs for the year 2022 were made known, as well as the economic condition for providing the connection service.

Standard network code of the electricity transport service

With Resolution **261/2020/R/eel** changes were introduced to the rules on the network code with application starting from January 2021.

The main provisions introduced regard the reduction to 4 months of the DSOs' exposure through reduction of the contractual forms termination times and, consequently, the amount of the guarantees chargeable to the vendors.

Following the requests for clarification sent by operators to the Authority's offices on the correct methods of applying the new rules, a subsequent measure **490/2020/R/eel** was published. This introduced, for traders with credit ratings, the obligation to present a supplementary guarantee in the traditional form in cases of a significant increase in withdrawal points served, limited to the new PODs (so-called GARnewPOD). With the subsequent further measure **583/2020/R/eel**, ARERA also established that in cases of non-fulfilment by traders, if the traditional guarantee GARnewPOD is not sufficient with respect to the debt exposure of the trader, the DSO is required to proceed, at time of enforcement, to a request for reintegration of the guarantee to be done within the following 7 working days, and to a new notice to perform with regard to payment of the amounts due within the following 7 working days, only after which, in the absence of reintegration and at the same time complete payment of the amounts due, the transport contract can be understood as terminated.

Subsequently, the Authority published Resolution **81/2021/R/com** further amending the previous provisions (Resolution 116/2020/R/com, Resolution 248/2020/R/com, Resolution 261/2020/R/eel and Resolution 490/2020/R/eel) relating to the general transport conditions referring to the guarantees to be submitted to distributors. More specifically, this resolution made provision for:

- an extension to the derogation recognised for the admissible credit rating in the case of a downgrade due to the health emergency for an additional 12 months from confirmation of the rating;
- an extension of the admissible insurance sureties to those issued by institutions controlled by companies with the required rating, pursuant to Art. 2359, paragraphs 1 and 2 of the Italian Civil Code.

General system charges

The Authority published Resolution **32/2021/R/eel** approving the mechanism for recognising general charges not collected by seller from end customers and already paid to the distribution companies, which follows up on the previous DCO 445/2020/R/eel.

The same measure further confirmed that as already stipulated under Resolution 109/2017, the guarantee that the transport user is obliged to provide to the distribution company to cover the GSC's payment obligations continues to be measured at an amount representing the best estimate of the amounts normally collected by operators, or that the distribution companies reduce the GAR amount defined pursuant to paragraph 2.7 of Annex B to Resolution 268/2015/R/eel and the maximum amount of the guarantee, referring to the provisions under paragraph 3.3 of the same Annex B, by 4.9% to be applied to the portion of the GAR amount relating only to the General System Charges. This amount will be updated on a two-yearly basis by the Authority based on the trend of the unpaid ratio in the country, where default is being recorded on average at higher levels.

With Resolution **123/2021/R/com**, the Authority updated the electricity sector general charges tariffs, announcing the transfer

of the ASOS component from GSE to CSEA, to be allocated to the Account for new renewable energy plants and similar (pursuant to paragraph 41.1, letter b), of the TIT). The transfer of responsibility for the collection of the ASOS component to CSEA, with effect from 1 July 2021 was officially confirmed under Resolution 231/2021/R/eel.

On 30 June 2021, the Authority published Resolution **278/2021/R/com**, which updated the tariff components intended to cover general charges and other electricity and gas components.

Consultation document **380/2021/R/eel** proposed a unified mechanism to coordinate the reimbursement to distribution companies of general system charges and network charges not collected and not otherwise recoverable, and to encourage efficient credit recovery.

In implementation of the provisions of art. 3 of Legislative Decree 130/2021, through Resolution **396/2021/R/com**, the Authority ordered the cancellation, for the October-December 2021 quarter, of the rates of the ASOS and ARIM tariff components for all LV domestic and non-domestic users with power available up to 16.5 kW.

Noteworthy subsequent events include the publication of Resolution 35/2022/R/eel, with which ARERA implements the provisions of art. 14 of the "Support *ter*" decree, cancelling for the first quarter of 2022 the applicable rates of the ASOS and ARIM tariff components for all users, with effect from 1 January 2022 and rectifying the provisions of Resolution 635/2021/R/com.

The Authority also specified that: (i) if, on the date of entry into force of the measure to zero the charges for companies with a capacity of more than 16.5 kW, the sellers have already issued invoices for electricity supply for the period from 1 January to 31 March 2022, the relevant adjustments must be made by the second subsequent bill; and (ii) if the commercial offer accepted by the customer does not provide for the direct application of the general charge components (ASOS and ARIM), each seller must guarantee the customer a cost reduction equal to the difference between the charge rates without and with zeroing.

Electric mobility

With Resolution **541/2020/R/eel** the Authority launched national experimentation destined for LV customers, aimed at facilitating the installation of e-car rechargers in private areas.

Acceptance is voluntary and free and access is subordinated to observance of a number of conditions:

- the customer must be at LV with contractually committed power of not more than 4.5 kW and not less than 2 kW;
- the POD must be fitted with a 1G or 2G remotely-managed meter. In this second case, any multi-hour bands set by the vendor must enable identification of the withdrawals made in night, weekend and holiday bands;
- a recharging device must be electrically connected to the meter; this device must at least be capable of:
 - measuring and recording the active recharging power and transmitting this figure to an external subject (e.g. an aggregator);
 - reducing/increasing or reinstating the maximum recharging power;
- customers must give their consent to checks and controls also in their homes and are required to communicate promptly any change to the system or contract that occurs during the experimentation.

The application of the experimentation runs from 1 July 2020 and lasts until 31 December 2023.

Finally, in the context of public electric mobility, we can note the consultation document 201/2020/R/eel with which the Authority first implemented the decree of the Ministry of Economic Development of 30 January 2020, illustrating its first orientations on the subject of participation of electric vehicles in the Dispatching Services Market (DSM), through the recharging infrastructures equipped with vehicle-to-grid technology.

Resolution **352/2021/R/eel** launched a trial of the most appropriate regulatory solutions for the procurement of local ancillary services provided by distribution operators, for the associated remuneration. The trial takes into account the definitions and general principles already found in the European regulatory framework and also serves to gather information that may be useful in the European debate.

“2G digital meter” project

ARERA published Resolution **105/2021/R/eel** amending requirement R-4.01 under Annex A to Resolution 87/2016, specifying that in the case of second-generation meters installed at withdrawal points that were equipped with previous meters, the information displayed must show a reading of the totals for the months prior to the replacement, for a period of 26 months and 15 days starting from the replacement. The previous version of the regulation had stated “at least” 26 months and 15 days. This amendment was implemented by 30 July 2021, also with regard to the 2G systems already in service.

Reactive energy

With Resolution 568/2019 of December 2019, the Authority introduced tariff regulation of reactive energy inputs by end customers and distribution companies for all voltage levels with effect from 2022. The Authority published **Determination 2/2021 – DIEU** stating that every distribution company directly connected to the national high and very-high transmission grid, needs to send the Authority information by 30 June 2021 on the quantities referring to the volumes of reactive energy, the type and annual amount of interventions implemented since 2017 and those planned by 2024, in order to check on the voltage and manage reactive energy inputs and withdrawals from the transmission grid. Furthermore, the Authority is expecting the joint report by 31 October 2021 from Terna and distribution companies on the outcome of the coordination and planning of interventions to check the voltage and management of reactive energy exchanges.

In December 2021, ARERA also published a consultation document (515/2021) which put the case for postponement of fees applicable for reactive energy inputted from July 2022 and only in the F3 band in the short-term, and an adjustment for aggregates of areas with possible exceptions allowed in the medium-term (from 2023 or 2024). The consultation is still in progress.

Transmission, distribution and dispatching of electricity withdrawn for subsequent feeding into the grid

The Authority published Resolution **109/2021/R/eel** – which follows up on Consultation Document 345/2019 – in which it defines the procedures for providing the transmission, distribution and dispatching service in the case of electricity withdrawn for consumption relating to ancillary generation services, and in the case of electricity withdrawn and subsequently fed back into the

grid from the storage system. The priority objective of the resolution is to standardise regulations for the transmission, distribution dispatching services for electricity withdrawn for subsequent feeding back into the grid and extend the aforementioned regulation to more complex cases, where the withdrawal of electricity via the same connection point is not only intended for storage systems and/or ancillary generation services, but also additional loads separate to these. The resolution stipulated that as from 1 January 2022 on request of the producer, electricity withdrawn for the subsequent feeding into the grid will be handled as negative electricity fed in for the purposes of accessing transport, distribution and dispatching services.

The **Authority’s Communiqué of 28 July 2021** gives notice of a review of the time frames defined in Resolution 109/2021/R/eel and the postponement of application.

ARERA’s publication of Resolution 560/2021/R/eel postpones until 1 January 2023, instead of 1 January 2022, the application of the rules on transmission, distribution and dispatching services for electrochemical storage as referred to in Resolution 109/2021/R/eel, following the communiqué of 28 July 2021.

The reason for the postponement is that Terna has not yet defined the Annex to the Grid Code stating the principles, criteria and methods for calculating the algorithms used to quantify the electricity withdrawn to be subsequently inputted to the grid. Terna must publish the document, which is currently under consultation, by 28 February 2022.

Noteworthy among the subsequent events is the consultation document DCO 45/2022/R/eel of 8 February 2022 concerning the Gradual Protection Service for electricity sector micro-businesses pursuant to art. 1, paragraph 60 of Law No. 124/17. The document sets out ARERA’s guidelines on the regulation of and methods of assigning the graduated protection service for micro-businesses, in force from January 2023.

ENVIRONMENTAL REGULATION

Following consultation document 351/2019, on 31 October 2019 ARERA approved Resolution 443/19 containing the first integrated waste management service tariff method 2018-2021.

With reference to the WTR – Waste Tariff Method, the new rules define TARI fees to be applied to users in 2020-2021, the criteria for the costs recognised in the current two-year period 2018-2019 and the reporting obligations.

As in other sectors subject to regulation, the new waste tariff method refers to ex-post data referring to certain accounting sources (financial statements) for the year Y-2 and applied to year Y (including indications of adjustments that permeate the entire algebraic structure of the method) and no longer to forecast data.

The new ARERA method applies a hybrid approach, borrowed from other service regulations like electricity and gas, with a different treatment of capital costs and operating costs. Namely:

- Capital costs recognised according to a scheme like rate of return;
- Operating costs with the application of incentive regulation schemes and the definition of efficiency targets on a multi-annual basis.

Furthermore, as already anticipated in the consultations, the method calls for tariff limits to revenue growth in addition to the intro-

duction of four different schemes that can be adopted by local authorities and operators with respect to the objectives of improving service. More specifically, the method regulates the phases of the integrated waste service as identified: street sweeping and washing, collection and transport, treatment and recovery, treatment and disposal of municipal waste, tariff management and user relations. With regard to the treatment and recovery and treatment and disposal phases, ARERA specifically established that the criteria for determining the fees to be applied to treatment and disposal plants will be evaluated in subsequent measures, indicating that pending such assessment (to be performed on the basis of the criteria referred to in art. 1, paragraph 527, letter g) of Italian Law no. 205/17) for the 2020 TARI the fees for such activities will be applied as follows: a) in the presence of administered tariffs, the tariff approved and/or justified by the competent territorial authority; and b) in all other cases, the tariff charged by the operator of the plant determined as a result of negotiations.

In this first definition of the tariff method, ARERA maintained the algebraic structure of the method established by Italian Presidential Decree 158/1999, including tariff factors corresponding to additional components for the determination of the fees, some of which are as follows:

- Limit to the overall growth of tariff revenues, with the introduction of a limit factor for annual variation that also takes into account efficiency gains and productivity recovery;
- an asymmetric approach that takes into account in the measurement and in the calculations of the single cost components:
 1. service improvement objectives established at a local level and
 2. the possible extension of the operational perimeter; these parameters determine the positioning of the individual operation within a tariff matrix, as follows;
- Sharing factor in relation to revenues from the sale of material and energy from waste (between 0.3 and 0.6), and relative to CONAI revenues (between 0.1 and 0.4);
- Introduction of an adjustment component for both variable and fixed costs, defined as the difference between the revenues relating to the variable and/or fixed cost components for the year Y-2 – as redefined by the Authority – compared to the tariff revenues calculated for the year Y-2. In the recognition of 2018-2019 efficient costs, this component is modulated through a coefficient of gradation and provides for the payment for the recovery of any deviations through a number of instalments, up to 4;
- introduction of two different rates of return on net invested capital (WACC) for the service of the integrated waste cycle and a differentiated rate of return for the enhancement of current assets. Regarding the WACC of the integrated waste cycle for the period 2020-2021, it is defined as 6.3%. To this value is added a 1% increase to cover the costs arising from the time lag between the year of recognition of investments (Y-2) and the year of tariff recognition (Y), known as the time lag.

In order to take account of the different initial territorial conditions, as previously with the water sector, the Regulator has introduced a methodology that defines the criteria for the quantification of tariffs within an asymmetrical regulation, where there are four different types of tariff schemes under which each competent entity can identify the most effective solution depending on its objectives of quality improvement and management development currently applicable to operators in the

first part of the integrated waste service chain, in particular to the phases of sweeping and washing roads and collection and transport.

The EFP (Economic and Financial Plan) remains the tool of reference for the development of the integrated cycle and for the calculation of TARI tariffs and is prepared by the “integrated waste system operator”, where it is also the Municipality, while “the operators who manage parts of the supply chain make their data available to those who prepare the EFP for the correct elaboration of the entire Plan”.

With regard to the Integrated Text TITR – 444/2019/R/rif – Provisions on transparency in the management of urban and similar waste, it is specified that this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020-31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations.

With Resolution 138/21, ARERA started the procedure for updating the MTR (the “MTR-2”), which will be effective from 2022 and in which also establishes the methodology for defining the so-called “gate tariffs”, which will have a direct impact on the operation of some of the Company’s plants.

With Determination 01/DRIF/2021, the Authority began collecting data on treatment plants in the unseparated waste chain (D10 and R1 incinerators, mechanical/mechanical-biological treatment, and landfills). The Company duly responded within the required deadline.

Consultation Document 196/21 on gate tariffs was also published, offering clarification on the regulatory scope envisaged by the Authority: ARERA is therefore currently inclined towards including all the plants that manage urban waste, with the exception of those that are “connected with recycling chains, focused on materials recovery, managed by chain consortia (funded by contributions from member companies) or by other entities, and with whom municipalities may sign specific agreements to cover the charges incurred for separate waste collection”.

Lastly, with Resolution 363/2021/R/RIF, the Authority approved the method for determining tariff revenues for delivery of the integrated urban waste management service, or the individual services that constitute it (such as the recovery/disposal service, carried out directly by the Company), applicable to the years 2022-2025. In this context, the Waste Tariff Method for the second regulatory period “MTR-2” was approved, providing for the determination of treatment plant access tariffs, but only for plants identified as “minimum plants” in the context of area planning. The operators of these minimum plants will therefore have to prepare the Economic and Financial Plan for the period 2022-2025 in accordance with the recommendations of the above MTR-2.

As far as the publication of the four European directives is concerned, they provide for amendments to six European directives on waste, namely:

- Directive 2018/851/EU, amending the so-called mother directive on waste 2008/98/EC;
- Directive 2018/850/EU, amending the landfill directive 1999/31/EC;
- Directive 2018/852/EU, amending packaging directive 94/62/EC;

- Directive 2018/849/EU, amending the directive on end-of-life vehicles 2000/53/EC, the directive on batteries and storage 2006/66/EC and the directive on waste electrical and electronic equipment, the so-called WEEE 2012/19/EU.

In short, the primary new development that these measures bring to environmental legislation concerns the percentages of separate collection to be achieved in the coming years, in particular up to 2035 (though establishing intermediate steps from 2020 to 2030 and from 2030 to 2035). In particular:

- urban solid waste: the target is to recycle at least 65% by 2035, with intermediate stages of 55% by 2025 and 60% by 2030;
- packaging: the goal is to recycle at least 65% by 2025 and 70% by 2030;
- landfills: the objective is to limit the entry of waste into landfills to a maximum of 10% by 2035. To this end, Member States must endeavour to ensure that by 2030 all waste suitable for recovery or recycling — in particular municipal waste — is not landfilled, with the exception of waste for which landfilling is the best environmental option.

On the subject of landfills, the introduction of art. 15-ter to the 1999 directive established that the Commission shall adopt implementing acts to determine the method to be used to determine the permeability coefficient of landfills locally and throughout the area. And the introduction of art. 15-quater confers on the Commission the task of adopting implementing acts to develop a criterion for waste sampling (until the concrete enactment of this new method, Member States use the national systems currently in place):

- separate collection of household waste: important changes are foreseen for the separate collection of household waste, such as textile waste, organic waste and hazardous household waste, not always collected separately at this time;
- waste prevention measures: the directives explicitly provide that Member States must take a series of measures to prevent the production of waste upstream, such as domestic composting and the use of materials obtained from organic waste, to encourage the production and marketing of goods and components suitable for multiple use, and to provide financial incentives to encourage such virtuous behaviour.

These targets may be revised in 2024 (especially in view of the fact that they are considered excessively ambitious for some States that, for example, currently frequently use landfills). In this sense, the legislature has therefore provided that, recognising the significant differences in treatment between different States, it will be possible to grant an extension up to a maximum of 5 years for States that in 2013 prepared for reuse and recycled less than 20% of urban waste or landfilled more than 60% of urban waste).

In compliance with the above European Delegation Act, the following acts have been approved: Legislative Decree 116/2020 on waste and packaging, Legislative Decree 118/2020 on waste batteries and accumulators (RPA) and waste electrical and electronic equipment (WEEE), Legislative Decree 119/2020 on end-of-life vehicles and Legislative Decree 121/2020 on landfills.

Finally, the rewording of art. 6 of Directive 98/2008/EC on the cessation of the qualification of waste (End of Waste) deserves a brief comment. In particular, with the new amending resolution, the European law requires Member States to take appropriate

measures to ensure that where a substance or article meets the requirements for End of Waste it cannot be classified as waste.

More specifically, having regard to the competence of the European Commission to define the general criteria for the uniform application of End of Waste conditions, it is established that if the latter does not do so for certain types of waste, Member States may establish detailed EoW criteria for certain types of waste that must take into account all the substance's or object's possible adverse effects on the environment and human health and meet the EoW requirements of the directive. Such decisions must be notified to the Commission by the Member State.

Moreover, the same resolution also provides that Member States may decide on a case-by-case basis or take appropriate measures to verify that certain wastes have ceased to be such under the conditions set out in the directive, where necessary reflecting the EU EoW criteria and taking into account limit values for pollutants and all possible adverse effects on the environment and human health. Such decisions taken on a case-by-case basis need not be notified to the Commission.

Finally on the subject of EoW we can note the amendment approved on 06 June 2019 and included in the decree known as the Re-Open Building Sites Decree (Italian Law Decree 32/2019, converted with Italian Law no. 1248). In particular, the rule establishes that pending the adoption of one or more decrees containing the EoW criteria for specific types of waste, ordinary permits for waste recovery plants must be granted on the basis of the criteria indicated in the measures governing simplified waste recovery (Ministerial Decree 5 February 1998, Ministerial Decree 161/2002 and Ministerial Decree 269/2005) "for the parameters indicated therein, for the parameters relating to the type, origin and characteristics of waste, recovery activity and characteristics of what is obtained from these activities". Ordinary permits must, on the other hand, identify the necessary conditions and requirements "regarding the quantities of waste admissible to the facility and to be subjected to recovery operations".

The Ministry of the Environment (now the Ministry for the Ecological Transition) is authorised to issue specific guidelines "by decree not of a regulatory nature" for the uniform application of the regulations throughout the country.

Lastly, notable among subsequent events is Resolution No. 68/2022/R/RIF of 22 February 2022 relating to the enhancement of the financial parameters underpinning the calculation of the costs of capital use in implementation of the waste tariff method (MTR-2), based on the TIWACC criteria, as per Authority Resolution 614/2021/R/com, for determining the tariffs for access to "minimal" end of cycle plants for the years 2022-2025.

SCENARIO OF REFERENCE FOR ESG ASPECTS (ENVIRONMENTAL, SOCIAL, GOVERNANCE)

Sustainable development

2021 saw the start of the revival of economic-productive systems, the resumption of social relations towards the "new normal" that follows the discontinuity generated by the health crisis. The pandemic emergency has joined the climate-environmental crisis, in a reciprocal relationship of causes and effects, with repercussions on the social context that still condition the scenario of future sus-

tainability. This contextual situation is also the key to interpreting numerous international and national events. On the political level, it is worth noting the inauguration of the 46th President of the United States of America, Joe Biden, and the re-admission of the USA into the Paris agreements to combat climate change. In the Italian context, with the formation of the new Draghi government, the NRRP for the post-emergency relaunch of Italy was prepared and initiated. Through the NRRP, and the related funds provided by the EU (Next Generation), a strategic plan is proposed that revolves around the strategic axes of digitalisation and innovation; ecological transition; social inclusion. In Europe, a climate law was passed setting the goal of carbon neutrality by 2050, with a milestone of a 55% GHG reduction by 2030 compared to 1990. Together with the “Fit for 55” legislative initiatives proposed by the von der Leyen Commission, the measure is part of the strategic framework of the European Green Deal. The G20 in Rome affirmed commitments to food security and adequate nutrition (Matera Declaration) and to gender equality, empowerment and leadership of women and girls at all levels for inclusive and sustainable development. 2021 was characterised by the careful management of the pandemic through vaccination campaigns, the continuation of remote work, the introduction of prevention and population monitoring systems to maximise safety while returning to work and social activities. At the environmental level, extreme events (hurricanes, floods, fires) have been recorded, with loss of life and economic impacts all over the planet, from the north-west coast of the USA to Europe, from the Henan region in China to India, from Canada to South Sudan. At the end of the year, new criticalities emerged, health, with the spread of new variants of Covid, and social, with the rise in energy prices due to the cost of gas, and environmental, with the recording of increased levels of climate-changing emissions. In Italy, the Asvis report indicates that progress towards sustainable development is still uneven, despite several important initiatives, such as the project to integrate the protection of the environment, biodiversity and ecosystems, also in the interest of future generations, into the fundamental principles of the Constitution and the regulation at national level in relation to equal pay for men and women. In this context, essential service companies, close to the dynamics experienced by the territory, feel the solicitations and suggestions emerging from regulatory frameworks, such as the European Environmental Taxonomy, and managerial frameworks, with the spread of concepts such as stakeholder capitalism or “sustainable success” for listed companies.

Standards in the reference markets at a local, national and supra-national level

The regulatory context of the Acea Group is wide-ranging and articulated according to the specificity of the businesses handled and the variety of the frameworks within which the legal and regulatory disciplines intervene, which affect the business operations, from administrative authorisation profiles to those protecting the market and competition. Added to such aspects is the peculiarity of the nature of listed Company, with the related legal impacts, for example, in terms of regulating communications to the market. The regulatory scenario is therefore analysed from a multidisciplinary viewpoint, applying a 360° overview and continuous interpretative analysis, in order to detect developments of particular significance, thus identifying and assessing risks and opportunities in terms of strategy and operating management.

Among the issues worthy of mention, note should be taken of the measures introduced through Italian Decree Law 77/2021, the so-called “Simplification Decree Bis”, containing “governance for the

National Recovery and Resilience Plan (NRRP) and initial measures to strengthen administrative structures and accelerate and streamline procedures”, converted by Italian Law 108/2021. This is a package of structural reforms and investments for 2021-2026, intended to accelerate the implementation of the work called for in the Recovery Plan, strengthening administrative structures, streamlining procedures and establishing governance rules for the same.

The Decree also makes changes with regards to public tenders, in that the provisions do not exclusively affect the ordinary regulatory framework for public contracts (Code of Public Contracts, Italian Legislative Decree 50/2016), but also amend the emergency derogation rules such as “Reopen Building Sites” (Italian Decree Law 32/2019) — and the Simplification Decree (Italian Decree Law 76/2020), established to respond to the crisis caused by the pandemic. Finally, special attention was paid to Decree Law 2469 “Draft 2021 annual market and competition law” with provisions to promote the development of competition, remove obstacles to opening markets and guarantee consumer protection.

Environmental and energy impacts

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes. Despite the global adoption of periods of economic downtime or slowdown to limit the spread of Covid-19, Overshoot Day, when the Earth depletes its available renewable resources for the current year, arrived on 29 July in 2021, as it did in 2019, compared to a later arrival in 2020 (22 August). Nationally, this limit was reached on 13 May 2021, one day earlier than the previous year.

The global environmental outlook was the subject of COP26 in Glasgow. In this meeting, in which Italy served as a guide and co-leader, critical issues were examined and important decisions were taken. The 196 countries adhering to the UN Convention on Climate Change, although with results lower than expected, shared important goals, such as keeping the temperature increase to within 1.5° compared to the pre-industrial period, new and binding commitments towards decarbonisation, the cessation of deforestation by 2030 and the reduction of methane losses by 30%. It was also decided to double international funding for adaptation projects, especially in countries most vulnerable to the impacts of climate change, and a programme to define the “Global Goal on Adaptation” was approved, which will identify indicators to monitor the adaptation projects of individual countries. The European Union has continued its work to regulate, through Regulation 852/2020, the Taxonomy of eco-compatible activities with the aim of guiding private investment towards the promotion of an environmentally sustainable economy.

In 2021, the work of the Taskforce on climate-related financial disclosure (hereafter TCFD) continued, which promotes companies’ reporting on climate change-related risks and opportunities and the description of impacts that these have on the company, so as to meet the expectations and needs of investors. Of particular importance in this context are the scenario analyses that companies are called upon to perform in order to assess the future impacts that the climate-related risks/opportunities generate on the company’s business.

Climate change

Sensitivity to the evolution of climate change and its effects on the businesses managed is a well-established theme at international level, which is also reflected in a greater demand for information in the annual financial report. Although there is no international accounting standard governing how the impacts of climate change are to be considered in the preparation of financial statements, the IASB has issued certain documents to support IFRS-adopters in meeting this stakeholder disclosure requirement. Similarly, ESMA, in its European Common Enforcement Priorities of 29 October 2021, highlighted that issuers should consider climate risks in the preparation of IFRS financial statements to the extent that they are significant regardless of whether or not these risks are explicitly provided for in the relevant accounting standards.

The Acea Group describes its considerations regarding actions attributable to mitigation of the effects of climate change as well as adaptation to climate change in the non-financial statement. In this context, considering the sectors of activity in which the Group operates through its investees, the Acea Group, in continuing to define updated future plans that are currently being developed and prepared, has identified certain risks arising from the current process of mitigation and adaptation.

The following is a summary of the considerations made by management with reference to the aspects considered significant for the purposes of preparing the financial statements in the sectors of activity in which it operates.

With reference to the short term, the management does not detect any significant specific impacts deriving from climate-related risks, to be considered in the application of the accounting standards. In all the relevant sectors of activity, the Group pursues excellence in service provision; this entails an ongoing commitment to the development of adequate infrastructures and the evolution of their management, with the application of technological innovation and digitalisation, as well as the preservation and protection of water resources, the development of electricity generation capacity from renewable sources, the energy efficiency of production processes, the pursuit of a circular economy approach and the implementation of controls on commodities supplied to customers.

With reference to the medium/long term, the management, while continuing to define updated development plans which are currently being prepared, does not foresee any further specific considerations to be taken into account in the application of the accounting standards for the preparation of the financial statements.

It should be noted that the assessment and, more specifically, the quantification of climate-related risks requires the application of climate scenario analyses - an activity that the Group has launched - and is, however, also exposed to assumptions about highly uncertain future developments, such as future technological developments, government actions or even developments in international political balances.

For the principal sectors in which the Group operates, the main effects arising from climate change have been identified in the need to continue to invest in infrastructure to prevent and/or mitigate the impacts arising primarily from physical risks.

Management has assessed that these investments do not reduce or modify the expectation of the economic benefits associated with the use of the assets recorded under tangible fixed assets as they are investments with regulatory relevance and therefore subject to specific reimbursement mechanisms. Therefore, a critical review of the useful life of fixed assets on the balance sheet was not necessary.

With specific reference to the sale of commodities, the Group monitors the useful life of the customer base and the related financial statement assessments as a potential effect of reputational risk. With reference to the existence of risks of asset impairment, management has considered that, although actions to mitigate/adapt to climate risk entail the need to plan maintenance/evolution of plants in order to guarantee the quality of service, the safety of managed assets and the maintenance of their performance - these activities are in any case considered within the scope of the cash flow forecast used as the basis for determining value in use.

Finally, it is highlighted that legislation introduced in response to climate change could result in new obligations that did not previously exist.

Trends in raw material purchase costs along with hedging derivatives require a careful policy of monitoring requirements and price hedging. Trends in the cost of commodities as a result of the effects of climate change could make certain sales contracts costly. In addition, the unavailability of commodities could make cash flow hedges from highly probable future transactions ineffective.

Finally, with particular reference to regulated sectors, the presence of chronic physical risks could lead to a reduction in service quality resulting in liabilities for penalties.

Development and technological innovation

In Acea, the Innovation, Technology & Solutions Function reports directly to the CEO and has the task of ensuring a model of innovation for the Group through the adoption of processes and approaches typical of open innovation, with the involvement of internal and external stakeholders as defined by the Industrial Plan. The search for innovative solutions to achieve long-term goals for a decarbonised economy and smart urban infrastructures continues to be a central theme in the general technological scenario. In this context it is worth mentioning the participation of Acea in Zero Accelerator, created from the collaboration of key operators, to support innovative startups and SMEs engaged in reducing greenhouse gas emissions, optimisation of the waste cycle etc., and the *Casa delle Tecnologie Emergenti* in Rome, the first permanent living lab for ideas relating to the future Rome Smart City. Collaborative networks and partnership development to explore innovative solutions, business and technology opportunities and attract talent are a focal driver for Acea's positioning in the innovation ecosystem. To this end, it has adhered to initiatives such as InnovUp (formerly Italia Startup), SEP (Startup Europe Partnership), the Open Innovation programme that connects European scaleups with corporations, and Open Italy. Acea also works with the academic world and with specific Observatories, such as the Observatories for Digital Innovation, Startup Intelligence and Space Economy, all belonging to the Politecnico di Milano. The Group's industrial areas are committed to identifying innovative and technological approaches to improve industrial processes with a view to social and environmental sustainability. This commitment is also recognised at European level, there is already access to HORIZON 2020 funding programmes for the PlatOne project, in the area of power grids, to develop cutting-edge technological solutions capable of enabling energy flexibility mechanisms, and in 2021 for the PROMISCES project aimed at removing very persistent, mobile and potentially toxic substances in the soil-sediment-water system (identified within the European REACH Regulation) and contributing to the goal of zero pollution and improving the protection of human health.

Development of personnel

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. During the period in which the pandemic continued to represent the most complex challenge, the ongoing commitment of people allowed the Group to manage its services at a high level, providing continuity to the business with zero interruptions and in complete safety. Acea listens to the needs of its people and develops a People Strategy based on projects and initiatives that, by enhancing the main assets of the Business Plan, meet the needs of technological innovation, corporate culture, data analysis and monitoring, full utilisation of skills and development of well-being. The issues of Diversity & Inclusion has become increasingly important for organisations and Acea promotes greater sensitivity at all organisational levels through projects, initiatives and tools for the integration of these issues in the modus operandi of the Company and its stakeholders: in 2021 it defined a Diversity & Inclusion Plan and a Dashboard in relation to people strategy. Through training, the main lever for personal growth, Acea values the skills and talents of every individual and is continuously improving managerial and digital skills. Taking care of people's well-being forms part of the Company's awareness of its responsibilities towards its employees, especially within contexts, such as those still ongoing, of specific health and social emergencies. With reference to this, Acea has developed an integrated corporate welfare system, based on listening to employees and their needs and divided into six areas: health, psycho/physical well-being, family, reconciliation measures, income support measures and complementary social security.

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works. In tackling this green procurement issue, Acea has been using the minimum environmental criteria in force for several years, including non-com-

pulsory bonus aspects in its tenders. In order to monitor the supply chain, Acea continued to develop the Group's Vendor Rating system aimed at analysing, assessing and monitoring the performance of suppliers of goods, services and works to increase the quality of the services rendered. Each company can contribute to promote sustainability along the supply chain, to this end Acea has undertaken a collaboration with Ecovadis, to carry out a performance assessment on specific sustainability criteria of its partners, with the prospect of integrating the sustainability indicator within the Vendor Rating model.

Health and safety in the workplace

Safety as a strategy, not to be observed only for compliance purposes, is based on the desire to promote the widespread dissemination of a safety culture, involving all employees, and on the possibility of measuring and monitoring results. To this end, Acea runs awareness-raising campaigns on the issue and has adopted an advanced risk assessment model and implemented control and mitigation measures. The Group's contractors and sub-contractors, who are key partners in the implementation of its businesses, are also involved in awareness-raising and safety initiatives. Acea promotes active participation in analysing indicator trends; this aspect is often considered to be suggestive of the level of maturity of the safety culture and the culture of improvement in an organisation. An RSPP Coordination Committee is active within the Group. Its purpose is to share the results of safety performance, experiences, good practices and sustainable solutions to prevent accidents in the company. Safety is at the centre of numerous innovative experiments. Projects aimed at making operations in the field increasingly safe continued in 2021, such as the development of personal protective equipment with sensors that can signal proper usage (Smart PPE). During the year, comprehensive monitoring continued for the prevention and protection from the risk of infection by Covid-19, through: reorganisation of work activities and smart working, training courses, definition of specific protocols, dedicated communication channels, revision of risk assessment documents and health emergency plans, vaccination and screening campaigns for Acea personnel and activation of dedicated insurance coverage.

TREND OF OPERATING SEGMENTS

ECONOMIC RESULTS BY SEGMENT

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting

standards. Note that the results of the “Other” segment include those deriving from Acea corporate activities as well as inter-sectoral adjustments.

31/12/2021													
€ million						Energy Infrastructure				Other			
	Environment	Commercial and Trading	Overseas	Water	Generation	areti	IP adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total	
Revenues	235	2,078	77	1,238	126	585	41	0	626	112	140	(639)	3,993
Costs	171	1,998	50	583	47	210	44	0	254	95	179	(639)	2,737
EBITDA	64	81	27	655	80	375	(3)	0	372	17	(39)	0	1,256
Depreciation/ amortisation and impairment losses	31	66	11	348	30	152	2	0	154	7	28	0	675
Operating profit/(loss)	33	15	16	308	49	222	(5)	0	217	11	(67)	0	581
Capex	36	49	5	522	39	271	4	0	275	10	34	0	970

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the

equity method, as well as results from equity investments in the gas distribution segment in Abruzzo.

31/12/2020													
€ million						Energy Infrastructure				Other			
	Environment	Commercial and Trading	Overseas	Water	Generation	areti	IP adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total	
Revenues	200	1,585	62	1,208	79	577	41	0	619	89	131	(571)	3,403
Costs	150	1,513	37	594	34	208	43	0	251	74	166	(571)	2,247
EBITDA	50	72	25	614	45	370	(2)	0	368	15	(35)	0	1,155
Depreciation/ amortisation and impairment losses	31	61	13	304	27	156	2	0	158	4	21	0	620
Operating profit/(loss)	19	12	12	310	18	213	(4)	0	209	10	(56)	0	535
Capex	24	44	3	476	39	282	4	0	286	7	28	0	907

OPERATING SEGMENTS

Acea's macro structure is organised in corporate functions and seven operating segments: Water, Energy Infrastructure, Generation, Commercial and Trading, Environment, Overseas and Engineering and Services.



WATER

Integrated Water Service in Italy
Gas distribution



GENERATION

Electricity **generation**
Cogeneration
Photovoltaic



COMMERCIAL AND TRADING

Energy management
Sale of electric energy and gas
Energy efficiency for home clients



ENERGY INFRASTRUCTURE

Distribution and Measure
Public Lighting



OVERSEAS

Development of initiatives outside of Italy



ENVIRONMENT

Sludge management
Treatment, recycling, waste-to-energy
and **waste** disposal
Management of **recyclable plastics**



ENGINEERING AND SERVICES

Laboratory analysis
Engineering & internal **consultancy**

ENVIRONMENT

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
WTE conferment	KTon	412	416	(3)	(0.7%)
Landfilled waste	KTon	41	32	9	27.9%
Contributions to composting plants	KTon	209	188	20	10.9%
Contributions to Selection Plants	KTon	237	184	52	28.5%
Intermediated waste	KTon	155	206	(51)	(24.8%)
Liquids treated at Plants	KTon	426	423	3	0.7%
M&A contributions	KTon	35	0	35	n.s.
Net Electrical Energy transferred	GWh	328	320	8	2.4%
Waste produced	KTon	222	158	64	40.1%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	234.7	200.0	34.7	17.3%
Costs	170.9	149.7	21.3	14.2%
EBITDA	63.7	50.3	13.4	26.6%
Operating profit/(loss) (EBIT)	32.5	19.4	13.1	67.6%
Average workforce	615	619	(4)	(0.5%)
Capex	36.1	23.6	12.6	53.3%
Net Financial Position	320.1	268.0	52.1	19.5%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA – Environment Segment	63.7	50.3	13.4	26.6%
EBITDA – Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	5.1%	4.4%	0.7 p.p.	

Environment closed 2021 with an EBITDA of € 63.7 million, up by € 13.4 million (+26.6 %). The increase recorded is attributable to Acea Ambiente (+€ 11.4 million) as a result of higher prices for waste delivery and higher margins generated by the electricity sales due to the increase in the SNP. The change in the scope of consolidation contributes € 4.4 million to the increase, mainly due to the consolidation of **Cavallari** and **Ferrocarril** as of the end of April 2020 (+€ 2.8 million); while the remaining increase is due to the consolidation of **Meg**, **Deco** and **AS Recycling** acquired in the last months of 2021. However, the increase is partly offset by **Demap**, which recorded a reduction of € 2.8 million due to lower margins as well as the shutdown of the plastic packaging sorting plant. It should also be noted that in mid-December the Demap plant was damaged by a fire that only affected the warehouse where the materials to be sorted are stored. A description of what happened at the plant can be found in the section dedicated to the company.

The average number of staff at 31 December 2021 was 615, a decrease of 3 people compared to 31 December 2020.

Investments in the Segment amounted to € 36.1 million (+€ 12.6 million compared to 31 December 2020) and refer mainly to investments made by **Acea Ambiente** (+€ 8.9 million) for works carried out: at the Orvieto plant (+€ 1.0 million), for the purchase of the Borgorose shed (+€ 2.4 million), for revamping work at the Aprilia plant (+€ 3.2 million) and for work at the San Vittore plant (+€ 0.9 million); **Berg** (+€ 1.4 million) for the construction of a concentrator. Finally, note that the change in scope contributes € 2.0 million, attributable mainly to Ferrocarril.

Environment's net financial position stood at € 320.1 million, up € 52.1 million on 31 December 2020, mainly attributable to **Acea Ambiente** (+€ 81.7 million) mainly influenced by the acquisitions made at the end of 2021, mitigated by the positive effect of the newly consolidated companies, mainly and **Ecologica Sangro** (-€ 20.6 million).

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

As regards the single local units, it should be noted that:

Terni (UL1): during the year, the contractual planning for the delivery of pulper waste guaranteed the fuel requirements for the entire period. We report that on 27 April 2021, a specific request was submitted to the National Committee for the management of Directive 2003/87/EC and for the management of the project activities of the Kyoto Protocol to the Italian Ministry of Energy Transition, intended for the exclusion of the Terni waste-to-energy plant from the scope of the so-called Emission Trading System (ETS), pursuant to art. 2, paragraph 2, letter c) of Italian Legislative Decree no. 30/13, for definition of pulper waste under the category “of non-hazardous special waste produced by treatment plants, supplied annually with urban waste for a quota greater than 50% in weight”. The process has not yet reached a conclusion. Furthermore, on 20 October 2021, a request was submitted for a review to renew the Integrated Environmental Authorisation, in order to bring it into line with the BAT Conclusions for waste incineration plants (as per Commission Implementing Decision (EU) 2019/2010 of 12 November 2019), which is currently in progress with the expectation that the measure will be achieved by the end of 2022.

Paliano (UL2): on 26 April 2021 the works for the demolition of the treatment plant, underground tanks and former mineralised water production building resumed, following the update to the executive plan. The works are currently continuing as planned. With reference to Building Permit no.116 issued on 16 June 2020, on 29 April 2021 the start of the works with site preparation activities was communicated to the Municipality of Paliano. It should also be noted that on 17 December 2021, ARPA Lazio forwarded the inspection and sampling technical report drawn up by the same ARPA technical personnel following the sampling consultation. The necessary in-depth studies are being carried out with the appointed technical consultants, in order to prepare and submit any comments on the matter. We are awaiting the Ministry of Ecological Transition to convene the services conference for the approval of the Risk Analysis already sent to the Bodies.

San Vittore del Lazio (UL3): the waste-to-energy plant is currently the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain.

Regarding Lines 2 and 3, after expiry of the CIP 6 Agreement on 13 July 2019, electricity sold to the national grid is valued at market tariffs. Electricity sold to the national grid from Line 1 is valued at market tariffs and benefits from the incentive recognised for the quota attributable to the biodegradable portion of the waste.

During the year, lines 1, 2 and 3 of the plant guaranteed regular operation in terms of operating hours.

Regarding the disposal/recovery of waste produced in the waste-to-energy process, the Company has established an adequate number of contracts for the current year, which guarantee operations of the three Lines without interruption.

Expected performance of the plant during the period in question, both in terms of waste treatment and production of electricity, were affected by adverse weather conditions recorded in the first half of the year. Performance was also affected by the postpone-

ment, to the end of the second half of 2021, of the service of the line 2 turbogenerator and the investments planned to improve line 1 performance.

From March 2020 to date, in the context of the Covid-19 health emergency, with order no. Z00015 of 25 March 2020, the Lazio Region established that Acea Ambiente, in relation to the plant in question, receive and launch combustion, for lines 2 and 3, in addition to SRF, of unseparated urban waste originating from the homes of individuals who have tested positive for SARS-Cov-2, who are self-isolating or subject to mandatory quarantine.

To launch the activities ordered by the Lazio Region, specific commercial contracts were prepared with the suppliers and specific procedures were created for the management of the receipt, storage and supply operations for waste contaminated with Covid-19 sent for thermal destruction.

Orvieto (UL4): during the period, in accordance with the information shown in the Integrated Environmental Authorisation and the contracts signed with Sub-Section 4 of the AURI of Umbria (Umbria Authority for Waste and Water – formerly ATI4 Umbria) and the Municipalities of the Section of reference, the supply of non-hazardous urban and special waste continued, implementing the recovery and disposal activities according to the terms provided for herein. During the period under review, the Orvieto hub was involved in one construction project regarding the construction of the storage shed and compost maturation, which, following suspension due Covid-19, the original dates outlined in plans for completion of works have been extended; on 4 June 2021, the performance inspection certificate was issued related to the works to construct the compost storage and maturation shed and with subsequent Acea Ambiente memo no. 3440, the Umbria Region was notified of the launch of the plant for 7 July 2021. Operations were slowed due to a structural problem with a pillar caused by a collision with a construction vehicle during the loading of the slabs. Once the pillar was restored, activities resumed and commissioning analyses were scheduled by October 2021. Finally, it should be noted that the construction of step 10 of the landfill has been completed and tested. The determination of a non-substantial amendment by which the work on the slopes of the gully can begin was also issued by the Umbria Region. Finally, it should be noted that on 8 November 2021, AURI began the process of planning flows for 2022 with the usual request for information from the various operators, to which the Company promptly responded on 24 November 2021. On 13 December 2021, AURI sent its planning proposal in which quantities far in excess of those granted are evident. Acea Ambiente responded to this proposal on 16 December 2021, highlighting several critical issues. Also on 23 December 2021, AURI essentially communicated that it could not proceed with a comprehensive flow plan for 2022 and effectively extended the first few weeks of 2022 under the same conditions as 2021. Acea Ambiente also responded to this note, pointing out that this method does not allow for a correct contracting of the contributors, thus proposing to be able to count on the same quantity of special waste authorised for 2021. AURI in turn agreed with this approach.

At this time, the overall flow plan for 2022 is pending. However, this delay is linked to the criticality of residual volume of Umbrian landfills, a well-known fact and to address this, the Umbria Region is planning to issue a resolution, expected for the first days of January 2022.

Monterotondo Marittimo (UL5): on 27 August 2020, in accordance with the deadline envisaged by the calendar approved by the Tuscany Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). Regarding this procedure, two Services Conferences were held and two different document additions requested, which the Company promptly provided, the last of which on 4 May 2021. On 17 September 2021, the Tuscany Region sent R.D. no. 15895 of 15 September 2021 as a review of the IEA. The act, which had typos and inconsistencies between the various documents (e.g. preliminary report and PMeC), was subsequently remedied by means of the rectification issued by Executive Determination 19226 of 4 November 2021. In any case, the new IEA, by virtue of the achievement of the Environmental Management System certification to UNI EN ISO 14001 level, authorises the plant for a duration of 12 years.

In December 2021, an explanatory note was sent to ARPA Tuscany Region providing information and explanations regarding several exceedances recorded during the analysis of the emissions of the biofilter with reference to the odour parameter and for a single sector to ammonia. Various in-depth studies are underway, including with the support of external laboratories, and extraordinary interventions have been planned, partly in collaboration with the ATI that built the plant, which will be concluded with the total or partial replacement of the bio-filtering biomass.

Sabaudia (UL6): with regard to the composting section of the Sabaudia plant, the Integrated Environmental Authorisation issued by the Lazio Region on 1 December 2008 is still being renewed. In any case the IEA was formally extended by the Lazio Region pending the conclusion of the authorisation process.

The tender procedure was completed and the works for the adaptation of the plant to the requirements of the Consorzio di Bonifica Agro Pontino were assigned following verification of the adequacy of the tenders. The works were handed over to the company on 24 June 2020 and completed on 10 March 2021. As it stands, part of the works (demolition and reconstruction of a roof) has not been possible to execute because it was subject to the issue by the Municipality of Sabaudia, which has been sent several formal requests, of an amnesty which must be followed by a planning authorisation. Certain works originally planned under contract were scrapped, while works carried out were tested in September 2021. On 23 September 2021, the Municipality of Sabaudia sent to the Superintendent the technical/explanatory report, with proposed measure, for the issuance of an amnesty/planning authorisation on a portion of existing buildings. With prot. no. 51589 of 30 November 2021, the Municipality of Sabaudia issued, with the positive opinion of the Superintendent attached, the planning opinion which effectively resolves the decades-old issue of building permits. The Municipality's final investigation for the amnesty permit remains to be completed. It is therefore hoped that in the first quarter of 2022, the municipal process will be concluded and the authorisation process will be reactivated in the Lazio Region for the definition of the VIA and the IEA review in the configuration of the plant extension.

Pending the resumption of plant activity in its new configuration, scheduled for January 2024, all UL6 Operating Personnel were progressively transferred to the UL7 composting plant in Aprilia,

with the last movements taking place on 15 June 2020.

Aprilia (UL7): the plant is authorised for operation with an Integrated Environmental Authorisation issued by the Lazio Region with ED no. G00101 of 12 January 2021 as a review of the previous authorisation ED. no. G08408 of 7 July 2015 and subsequent amendments and additions.

On 14 December 2017 an emergency preventive seizure order was issued for the entire composting plant currently in operation due to the results of an inspection by the controlling authorities that found the presence of potent miasmas emitted by the production.

On 20 December 2019, once all technical and administrative activities were completed with the grid operator, the first parallel with the electricity grid was carried out. The plant thus formally commenced operations on that date.

Start-up began in 2020 and will end with the commissioning and functional testing.

By Executive Determination GR3000-000003 dated 9 August 2021, the Lazio Region authorised a non-substantial variance for remodelling of incoming waste streams, installation of a centrifuge, and installation of a reverse osmosis system.

On 17 August 2021, the Company filed a request for a non-substantial variance for the implementation of a project to convert the existing biogas power plant to a biomethane production facility. In a note dated 3 November 2021, the Lazio Region deemed to classify the variance as substantial, requesting an update of the request, which the Company promptly submitted with updated attachments on 22 November 2021. Currently the process has not progressed. It should be noted that several aspects are causing a cooling in the upgrading assumption: firstly, the current regulatory uncertainty regarding the future application of biomethane incentives and, secondly, the difficulties in negotiations with land owners for a review of the current surface rights.

On 17 September 2021, the GSE was notified of the denial of the request for access to the incentive mechanism for feeding electricity into the grid, due primarily to the merger by incorporation of Kyklos (originally entered on the register) into Acea Ambiente. The Company has appealed this denial to the Regional Administrative Court.

The plant was also subject, during the reporting period, to prescriptions functional to the subsequent admission to the payment of administrative penalties relating to the exceeding of certain limits on composted soil improver with sludge produced in the previous year, the dispute relating to odorous emissions in 2017 (which led to the seizure of the plant, subsequently revoked) and the exceeding of certain acoustic limits found in the year under review. All prescriptive reports were resolved with compliance and admission of payment by subsequent settlement.

During the period under consideration, the functional testing of two significant works carried out at the plant was completed, namely the line for production of SRF from plant surplus, which will enable waste to be delivered to the San Vittore del Lazio plant, and the compost bagging line, which will open up further market outlets for the placement of soil improver.

Chiusi liquid waste and urban wastewater treatment plant: the plant is authorised on the basis of Integrated Environmental Authorisation no. 2217 of 8 August 2013, valid until 29 October 2022, for an authorised quantity of 99,900 tonnes/year, with Tuscany Region Decree no. 10664. During 2021, further ef-

forts were made to acquire residual treatment capacity in the suspended-biomass biological segment and to make it more efficient in terms of electricity consumption. Replacement of the bed of oxygenators of the second oxidation reactor allowed a significant economic saving. Similarly, evident increased oxidative capacity for the segment allowed an increase in the flow of waste sent for treatment. It was therefore possible to accept a much higher quantity of liquid waste compared to the expected provision in the budget. Already in the previous year, mechanical cleaning of the tank for storage and homogenisation of waste of the biological treatment line was initiated, using mechanical dehydration. The intervention included the installation of a new mechanical mixing system with submersible mixers to replace the previous mixing with compressed air. The plant improvement made it possible to standardise the waste prior to centrifuge dehydration, for greater treatment efficiency, and to minimise potential odour emissions.

Aquaser: mainly operates, as a joint venture, as a waste intermediary with its Customers/Shareholders belonging to the Acea Group. During the period of reference, the company consolidated its market position by strengthening its transport activities through the acquisition of vehicles and personnel that now allow the management, at least partially, of the corresponding services.

Aquaser currently wholly or partially performs the service of loading, transport and recovery/disposal of waste from water purification for the companies of the Acea Group. It also manages individual orders related to the service of loading, transportation and recovery/disposal of waste or soil improvers for the company Acea Ambiente, as well as other ancillary activities on behalf of third-party customers (mainly transport services). The recovery activities are carried out through energy recovery, conditioning or composting plants of third parties, and in part at the plants of the parent company, while disposal activities are almost all carried out at treatment plants/landfills of third parties.

With a view to reorganising the Group with reference to the Environment Segment, Acea SpA transferred its shareholding in Aquaser to Acea Ambiente and subsequently Acea Ambiente transferred a 1% stake each in the share capital of Aquaser to Acea Ato5 and Acea Ato2. Therefore, as of today, the Company is 85.29% owned by Acea Ambiente, 1% by Acea SpA, 1% by Acea Ato5 and 1% by Acea Ato2, and by the other minority shareholders, whose equity investments have remained unchanged with respect to the previous year.

Iseco: operates in the Water Business, whose main activities are the management, maintenance and construction of plants, and the Milk - Dairy Business, whose main activities are the production of whey powder and the sale of related products for zootechnical and food use and the processing of seroderivatives on behalf of third parties. It should be noted that with reference to this latter business segment, as a result of the strong upturn recorded in the whey market, during the year a boost was given to the processing of this product in a concentrated and crystallised form on behalf of third parties.

Acque Industriali: through the management of specific platforms, provides intermediation and liquid waste treatment services to private companies operating both regionally and nationally, as well as activities collateral to those of the integrated water cycle consisting mainly in the recovery and disposal of biological sludge. The Company carries designs and builds plants mainly related to

the treatment of wastewater and sludge and waste in general, as well as the treatment of atmospheric emissions, following up with their subsequent ordinary and extraordinary management, as well as carrying out design, direction and execution of works in the field of environmental clean-up of polluted sites, mainly in the industrial sector. It also performs research and development in the sectors of reference in partnership with research bodies at both a regional and national level. In 2021, the Company's business activities intended to achieve the objectives and the company mission were implemented and developed further, as were specific activities in coordination with the Parent Company Acea SpA and with the companies belonging to the "Environment" business in order to implement the potential synergies with the various operating areas of the relevant group, with particular reference to the sector for the treatment and disposal of liquid waste and biological sludge in addition to other activities connected to the intermediation of non-hazardous solid and liquid waste.

The initiatives and services historically managed are still fully operational, thus guaranteeing the maintenance of an operating scope mainly in the territory of the Tuscany Region. 2021 was characterised by normal rainfall which guaranteed continuous flows to the platforms.

Demap: carries out its activity in the field of sorting plastic packaging from urban waste collection. It is one of the 33 or so Forced Waste Selection Centres (CSS) that have an agreement with the Corepla Consortium, established by law pursuant to Italian Legislative Decree 22/97 and now regulated by Italian Legislative Decree 152/06, responsible for achieving the recycling and recovery targets for plastic packaging of consumed products.

Separated collection of plastic packaging is regulated at a national level by a framework agreement between Anci and Conai and by the technical annexes concluded between Anci and the individual value chain consortia which, in the case of plastic packaging, provide that collection may be transferred to the sorting centre either selectively (mono-material collection) or jointly (multi-material collection). Demap carries out its business in compliance with current regulations and is authorised under Italian Legislative Decree 152/06 with procedure issued by the Province of Turin no. 133-25027/2010 of 23 June 2010.

Separated collection of plastic packaging is regulated at a national level by a framework agreement between Anci and Conai and by the technical annexes concluded between Anci and the individual value chain consortia which, in the case of plastic packaging, provide that collection may be transferred to the sorting centre either selectively (mono-material collection) or jointly (multi-material collection).

It should be noted that on 12 December 2021, a fire broke out at the storage shed (known as DEMAP2), located in Beinasco Via Aosta, 16, of waste consisting of plastic packaging from the urban collection of separated fractions, adjacent to the plant and owned by the Company. Although investigations by the Public Prosecutor's Office are still underway, the accident seems to have originated from a diesel-powered forklift.

On 14 December 2021, Arpat installed a mobile laboratory in order to monitor the evolution of air quality in the areas surrounding the fire over the long term. Firefighting operations on behalf of the fire department took a considerable time. Given the difficulties in extinguishing the fire, although in a decidedly minor and controlled form, the fire continued in the days following the event. Therefore, the fire which started on 12 December and ended — in the phase of possible environmental impact — around 24 December 2021,

released dangerous and toxic gases into the atmosphere which led the Municipality of Beinasco to undertake, after consultation with Civil Protection and local health authorities, a series of actions aimed at limiting or at least reducing to the minimum, any possible exposure to the population. These measures were necessary given the levels of contaminants detected in the first hours of intervention on the ground and also confirmed in the days immediately following the fire by monitoring carried out on the ground with portable instruments. About ten days after the development of the fire, in correspondence with a greater atmospheric instability over the whole territory, the concentrations of almost all pollutants measured by the ARPA mobile laboratory returned to the average for the period. In the days immediately following the event, the Company took steps to identify a specialist in the activities of demolition and removal of the burnt material and the partially collapsed shed. With Seizure Decree of 16 December 2021, notified on 20 December 2021 by the NOE of Turin, the evidentiary seizure pursuant to art. 253 c.p.p. of the DEMAP2 shed, of the burnt waste contained therein, of the waste present on the forecourt as well as of the forklift truck from which the fire presumably originated, was ordered. By order of 30 December 2021, notified on 7 January 2022, the Turin Public Prosecutor's Office authorised the removal of the burnt waste to the COVAR14 depleted landfill in Vinovo, and the demolition of the shed that had already partially collapsed, with controlled disposal of the rubble containing asbestos, attaching certain technical prescriptions to the same. During the week of 14 January 2022, all the verification operations, necessary for the reactivation of the CPI, were carried out in order to allow for, as soon as possible, the complete resumption of activities, after cleaning, mechanical and electrical maintenance. On 2 February, the appointed professional presented to the Fire Department the sworn SCIA with which they reactivated the CPI of DEMAP1. On 16 February 2022, following the necessary testing, the plant resumed regular operation.

Berg: operates in the environmental services sector and in particular in the treatment of liquid and solid waste. Pursuant to art. 2428 of the Italian Civil Code, it should be noted that the activities are carried out at the Frosinone plant, where the Storage and Treatment of Hazardous and Non-Hazardous Liquid and Solid Waste is carried out. In terms of authorisation, the plant has an Integrated Environmental Authorisation issued by the Lazio Region with Executive Resolution B0201/09 of 30 January 2009, expiring on 30 January 2025 (duration of 16 years by virtue of the site's EMAS registration). In May 2021, in accordance with the deadline envisaged by the calendar approved by the Lazio Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). During the year the experimental authorisation pursuant to Art. 211 of Legislative Decree no. 152/06 for the combined pilot plant for the recovery of fly ash, bottom ash and residual sodium carbonate was obtained, with Executive Resolution GI0926/2021 by the Lazio Region, with a duration of 2 years from the date of issue of the acceptance certificate.

Finally, it should be noted that during the period in question, the business trend was more or less in line with the expected results.

Cavallari: 2021 was marked by the Covid-19 health emergency, which strongly affected both operations and the market of the segment. The increase in the prices of all raw materials continued

for the entire 2021 financial year, due to a combination of market factors which, at a global level, have progressively made it more and more difficult to source and obtain them.

In spite of this, the Company has always operated at full capacity and, despite the fact that the last auction was only partially satisfactory, in an immediately subsequent compensatory auction the remaining quantities of material necessary to cover the plant's needs were procured.

In 2021, the total amount of material processed in the secondary plastic selection plant was 36,300 tonnes, while the secondary fuel production plant reached the new target of 12,000 tonnes processed in the year.

Thanks to the plurality of authorised sites, it has been possible to make the increase of the total volumes treated compatible, allowing the management of incoming quantities to Ostra that are close to the total limit imposed by the authorisation.

In fact, in order to prevent the saturation of the authorisation limit and the related shutdown of the Ostra plant, a number of important volumes of flows towards other Cavallari sites were re-organised to determine the necessary and sufficient conditions to be able to continue operations at the main Ostra site until 31 December 2021.

Ferrocarr: represents a point of reference in the territory, being a platform for the main consortia of the chain such as Comieco (National Consortium for the recovery and recycling of cellulose-based packaging), Corepla (National Consortium for the recovery and recycling of plastic packaging), Rilegno (National Consortium for the recovery and recycling of wood packaging), Ricrea (National Consortium for the recovery and recycling of steel packaging) and Cial (National Consortium for the recovery and recycling of aluminium packaging). In 2021, the Company regularly continued the services referring to existing relationships with companies that manage separate collection through contracts for direct assignment or through tenders. Relations with all value chain consortia also continued regularly, as did the intermediation service for the pulper. It is further noted that from 7 January 2021, the dismantling and assembly works of the new plant for processing plastic bottles began; to date the plant is still being tested.

It should be noted that on 20 February 2022, the plant was affected by a fire that involved a pile of waste from the sorting of separate collection (identified by the code EER 19 12 12), gradually expanding then until it damaged several roofing structures. Later in the same day, the fire was promptly put out. Several ARPA technicians intervened and proceeded to carry out air sampling in order to monitor the quality of this environmental matrix in the circumstances of the site. As the plant was not affected by the fire, it was able to resume regular use as early as 22 February 2022. The causes that produced this event are currently being ascertained and the Company has been involved in requests for documentation, which it has promptly provided, as well as sampling carried out by ARPA Umbria on the partially combusted waste without having to interrupt the plant's operations.

Deco: operates in the waste sector in Abruzzo and is engaged in the design, construction and management of plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources. The scope of the business includes: a Mechanical-Biological Treatment (MBT) plant with an authorised capacity of 270,000 tonnes/year, a photovoltaic plant, a biogas plant and two disposal plants. The Company also holds 100% of **Ecologica Sangro** a company operating in Abruzzo in the sector

of integrated management of solid urban waste.

Meg: located in San Giovanni Ilarione in the province of Verona, it operates in the plastic recycling business, a segment which is downstream with respect to that of post-consumption plastic selection in which Acea is already present with the companies Demap and Cavallari.

AS Recycling: a company that is currently inactive but which will

become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

Finally, in January 2022, Acea Ambiente acquired 70% of Serplast, which operates in the same business sector as Meg. The Company is located in Cellino Attanasio in the province of Teramo.

COMMERCIAL AND TRADING

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Electrical Energy sold - Free	GWh	6,562	5,051	1,511	29.9%
Electrical Energy sold - Protected	GWh	1,694	1,977	(283)	(14.3%)
Electricity - Free market customers (POD)	no./1,000	488	437	51	11.7%
Electrical Energy - No. Protected Market Customers (POD)	no./1,000	700	739	(38)	(5.2%)
Gas Sold	MSmc	214	165	49	29.7%
Gas - No. Free Market Customers	no./1,000	228	212	16	7.6%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	2,078.3	1,585.5	492.9	31.1%
Costs	1,997.8	1,513.1	484.8	32.0%
EBITDA	80.5	72.4	8.1	11.2%
Operating profit/(loss) (EBIT)	14.6	11.8	2.8	23.5%
Average workforce	427	373	54	14.4%
Capex	49.4	44.1	5.3	12.0%
Net Financial Position	(297.4)	(95.7)	(201.7)	n.s.

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Commercial and Trading Segment	80.5	72.4	8.1	11.2%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	6.4%	6.3%	0.1 p.p.	

The Segment, responsible for the management and development of electricity and gas sales and related customer relationship activities as well as the Group's energy management policies, closed 2021 with an EBITDA of € 80.5 million, an increase of € 8.1 million compared to 2020. The increase is mainly attributable to **Acea Energia** (+€ 6.8 million), as a result of the increase in energy and gas margins (+€ 19.8 million) and other revenues (up € 4.0 million) partially offset by a worsening in costs of materials and overheads and personnel costs (up € 17.0 million).

With regard to the effects on the primary margin, the increase recorded by **Acea Energia** derives from opposing effects.

In detail, the energy margin related to the **free market** recorded an improvement of € 17.6 million, compared to 31 December 2020, due both to the increase in consumption in the Business sector and the growth in customers in the Retail sector (+15% on average), equally for domestic customers and micro-enterprises. The energy margin relating to the **protected market** fell by € 2.8 million compared with 31 December 2020 as a result of the automatic assignment of "small" and "micro" business customers to the Gradual Protection Service (provisional management), created from 1 January 2021 and managed until 30 June 2021, whose margin came to € 1.3 million; in addition, the reduction in margins is partly due to the "natural" outflow of customers from the Enhanced Protec-

tion Service to the Free Market, amounting to 5% for the period, which was not offset by the application of higher tariffs. The **gas market** generated an increase in margins of € 6.2 million compared to 31 December 2020, as a result of the improvement in the Retail sector, due to the increase in customers and unit margins, while the Business sector shows a slight decline in the customer base. Energy margins related to the **optimisation** of energy flows decreased by € 2.0 million compared to the previous year. This margin also includes activities of buying, selling, exchanging and trading electricity, heat, natural gas, methane and other fuels and energy carriers, from any source produced or acquired, for own use or for third parties.

The operating result increased by € 2.8 million, mainly due to the combined effect of: (i) higher margins related to the free market; (ii) higher margins achieved, partly offset by the higher amortisation and depreciation deriving from the increase in new customer acquisition costs, offset by the reduction in amortisation and depreciation on software, following the increase in external costs due to the effects of agreements relating to cloud licenses (Software-as-a-Service, for the new CRM), which are no longer allocated to fixed assets but under external costs, in compliance with the interpretation of the IFRS Interpretations Committee. There were also higher provisions (+€ 4.1 million) mainly made by **Acea Energia** and due to the estimate of supplementary and merit-based indemnities to be paid to agents, the risk of legal disputes and, finally, the Isopensione (early retirement) provision.

With reference to the workforce, the average number at 31 December 2021 stood at 427 employees, an increase of 54 units compared to 31 December 2020, mainly relating to **Acea Energia** (+46 units).

Investments in the Segment amounted to € 49.4 million, up by € 5.3 million compared to 31 December 2020, and was mainly attributable to Acea Innovation for € 3.9 million for e-Efficiency projects and Acea Energia for € 0.7 million for higher new customer acquisition costs (€ 27.6 million in 2021 compared with € 24.9 million in 2020) offset by lower investments in IT due to the reclassification of costs relating to cloud licenses, which, in compliance with the IFRS Interpretations Committee interpretation, are no longer shown under fixed assets but under external costs.

The net financial position as at 31 December 2021 was positive by € 297.4 million, an improvement of € 201.7 million compared to 31 December 2020. The changes are mainly attributable to **Acea Energia** and derive mainly from the effects of the sale of the equity investment in Acea Produzione to Acea SpA at the end of the year. This sale is a direct consequence of the reorganisation of the Group's equity investments provided for in the Strategic Plan. The remaining change is due to the dynamics of operating cash flow.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Energy Management

Acea Energia carries out the necessary "Energy Management" activities for the Group's operations, with particular regard to sales and production activities. The Company also liaises with the Energy Market Operators (GME) and with Terna. In relation to the institutional entity Terna, the Company is the input Dispatch User for

Acea Produzione and other companies in the Group. It performed the following main activities in the period:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant,
- the negotiation of fuel procurement contracts for the power generating plants,
- the procurement of natural gas and electricity for the sales company to sell to end customers,
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

In 2021 Acea Energia purchased electricity from the market for a total of 10,224 GWh, of which 7,885 GWh through bilateral contracts and 2,339 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Sale of electricity and gas

As far as the sales market is concerned, the retail portfolio continues to grow and the quality of service improved. In 2021, Acea Energia sold electricity on the standard-offer market for a total of 1,694 GWh, with a 14.3% reduction on a trend basis. The number of withdrawal points totalled 719,380 (754,426 at 31 December 2020). The sale of electricity on the free market amounted to 6,074 GWh for Acea Energia and 487 GWh for Umbria Energy, for a total of 6,562 GWh, with an increase compared to last year of 29.9%, primarily related to the B2B segment. The average number of withdrawal points in 2021 totalled 478,127 (416,886 at 31 December 2020).

In addition, Acea Energia and the other sales companies of the Group sold 214 million Sm³ of gas to end customers and wholesalers which involved 226,687 re-delivery points, while at 31 December 2020 they were 200,539.

Commercial Agreements

In July 2021, a commercial partnership agreement was signed between Acea Energia SpA and WindTre SpA regarding the definition and advertisement of offers related to the supply of electricity and gas by Acea Energia characterised by the brand "WindTre powered by Acea Energia". The commercial offers dedicated to the initiative will be promoted from July 2021 inside the points of sale belonging to the WindTre sales network in the Veneto and Puglia regions, before expanding during 2022 across Italy. This decision is in line with the company's strategic plan, which aims to expand the customer portfolio beyond its territory of reference while benefiting from the widespread network of WIND points of sale across Italy.

With regard to the proceedings started by the **Antitrust Authority** and **ARERA**, the main updates are described below:

Proceeding PS9815 of the AGCM for unsolicited activations:

on 15 May 2019 the EU Court of Justice ruled on the preliminary ruling of the Lazio Regional Administrative Court, stating that: (i) there is no conflict between the directives on unfair commercial practices and on remote contracts (29/2005 and 83/2011) and the sectoral directives (72/2009 and 73/2009); (ii) in the energy sector it is also possible to apply the general discipline for the protection of consumers (with consequent competence of the AGCM, pursuant to art. 27, paragraph 1-bis, of the

Consumer Code). In accordance with Directives 2009/72 and 2009/73, it follows that ARERA is not competent to sanction such conduct. On 28 February 2020 Acea Energia received a communication that the Lazio Regional Administrative Court set a public hearing for 20 July 2020 for the annulment of the fine. On 24 September 2020 the sentence was received with which the Lazio Regional Administrative Court rejected the appeal submitted in 2016 by Acea Energia with regard to the AGCM order on the HHV regarding unsolicited activations of electricity and gas supplies.

On 23 December 2020, an appeal for the sentence of the Lazio Regional Administrative Court to be overturned was submitted.

Proceeding A513 of the AGCM for abuse of dominant position: on 17 October 2019 the Lazio Regional Administrative Court issued sentence no. 03306/19, which upheld the appeal brought by Acea SpA and its subsidiaries and, as a result, annulled sanction measure no. 27496 of 20 December 2018 that found that Acea SpA and its subsidiaries had abused their dominant position in violation of art. 102 of the TFEU, which had led to the imposition of an administrative fine of € 16,199,879.09.

On 17 January 2020 the notice of appeal was served by the Authority, represented and defended by the Attorney General's Office, asking the Council of State to annul and/or overturn sentence no. 11960/2019 handed down by the Lazio Regional Administrative Court, and as a result reject the companies' request in 1st instance.

On 14 February 2020 the cross appeal was filed with the restatement of the grounds of appeal that were taken up by the judgement of first instance. More specifically, in the first part the appeal focuses on the sole ground of appeal rejected by the Lazio Regional Administrative Court concerning the lack of investigation regarding the definition of the relevant market; in the second part, it proposes – thus covering them in full – the fourth to seventh grounds of the appeal that the Regional Administrative Court declared “absorbed”, having considered sufficient the acceptance of the second and third grounds of the appeal for the annulment of the fine.

On 30 April 2020 Acea received a communication in which AIGET, on 23 April 2020, filed a formal instrument of incorporation in support of AGCM's appeal.

Proceeding PS10958 of the Antitrust Authority (AGCM): on 21 April 2020, the AGCM sent Acea Energia a request for information regarding “each commercial offer related to electricity and natural gas services, proposed to domestic users and micro-enterprises, starting from H2 2019 until Q1 2020”, in particular: i) copy of the technical and financial conditions – TFC – and the general conditions of supply – GCS – related to the aforementioned commercial offers, ii) number of contracts signed by domestic users and micro-enterprises for each commercial offer proposed in the period considered; iii) copy of promotional messages relating to the same commercial offers disseminated through the different communication channels (web, radio, TV, advertising brochures); iv) copy of the scripts used by sales agents in the same period (H2 2019-Q1 2020) to propose the aforementioned commercial offers to customers, both via telesales and door to door.

On 23 April 2020, following the request, the Company sent the AGCM a communication in which, in view of art. 103 of Italian Legislative Decree no. 18 of 2020 and the Bulletin on the interpretation of art. 103 of Italian Decree-Law no. 18 of 17 March 2020, as

amended by art. 37 of Italian Decree-Law no. 23 of 8 April 2020, approved by the Board of Authorities at its meetings on 1 April and 10 April, it requested confirmation that the deadline for responding to the request for information was suspended and became effective only from 16 May 2020.

Following telephone conversations – in the absence of a formal response from the AGCM to the Company's aforementioned request – the Authority agreed to a postponed deadline for submitting the required documentation.

On 21 May 2020, Acea Energia therefore collected all the required documentation and submitted it to the AGCM, together with a response illustrating the criteria used to collect the documentation.

Fact-finding investigation concerning the financial items relating to electricity destined for States within Italy: pursuant to resolution 58/2019/E/eel, on 20 March 2019 the Authority initiated a fact-finding investigation in relation to Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the dispatching point of export.

In accordance with this Resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the Italian Energy and Environmental Services Fund that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for standard-of-fer-market customers.

With Resolution 180/2019/C/eel, the Authority decided to challenge the extraordinary appeal brought by the Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution 670/2018/R/eel (which updated the transmission tariffs for the year 2019) and Resolution 58/2019/R/eel.

Pending the conclusion of the investigation, the Authority asked the Cassa per i servizi energetici e ambiente – on a temporary basis and subject to adjustment – to suspend any disbursements relating to the equalisation of the costs incurred by Acea Energia for 2018 for the purchase and dispatching of electricity intended for standard-offer-market customers.

With Resolution no. 491/2019/E/eel the Authority closed the preliminary investigation by instructing Acea Energia and Areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals of electricity destined for the dispatching point of export by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result of this, with Determination 5/2020/eel, the Authority initiated two sanction proceedings against Acea Energia and Areti. On 12 June 2020, Acea Energia sent ARERA its proposal of commitments, including waiver of the amount receivable accrued in relation to the system, payment of compensation to ARERA and the obligation to send two-monthly reporting for a period of ten years. With Resolution 262/2021, the authority partially amended the methods for carrying out the recalculation activities indicated in Resolution 491/2019 and CSEA then sent the definitive recalculations to Acea Energia on 12 July 2021. The items must be settled at the end of the penalty proceedings initiated with Determination 5/2020/

eel. Acea Energia is currently discussing the commitments with ARERA.

With Resolution no. 576/2021, ARERA reformed the regulation concerning the financial items relating to electricity destined for the dispatching point of export, with the aim of bringing it into line with the principles of national regulation. In particular, the Authority intervened on transmission and transport fees, on dispatching and on the regulation of imbalances.

Proceeding PS11216 of the Antitrust Authority (AGCM): on 29 April 2021 the Antitrust Authority sent Acea Energia SpA a request for information regarding the measures used by the company to prevent the charge of amounts potentially subject to biennial limitation in case of use by customers, direct debit or other automatic bill payment methods.

On 20 May 2021, Acea Energia responded to the Authority's request, describing how objections of limitation are managed. In particular, the objection of limitation, on bills paid through direct debit or otherwise, can be lodged through various channels, including, for example:

- branch;
- complaint;
- e-mail for Free Market: prescrizioneML@aceaenergia.it;
- e-mail for Protected Market: prescrizioneSMT@aceaenergia.it;
- post: PO box 5114_00154 Roma Ostiense.

Acea Energia has introduced a telephone system which allows direct debit customers to be informed of the issue of bills containing amounts subject to limitation, in order to assist them in exercising their right to object to the limitation.

The company also considered it appropriate to make its customers aware of the use of self-read meter readings, in order to reduce the charge of amounts potentially subject to limitation as far as possible. In this context, the Company is carrying out development of its information systems in order to implement a function that makes it possible to automatically block the direct debit with exclusive reference to the quota of consumption subject to limitation for bills containing amounts with regard to which the biennial limitation has accrued. Pending the definition of the aforesaid process, with reference to direct debit customers, the Company has decided to temporarily activate the mechanism — already implemented with reference to the five-year limitation — intended to automatically render the amounts subject to biennial limitation non-collectable. On 2 July 2021 the company received a communication with which the AGCM stated that at the meeting on 1 July 2021, on the basis of the information provided by the company itself on 21 May 2021, it was resolved that there was insufficient information for an in-depth investigation, and therefore it was decided to dismiss the case.

Proceeding PS12106 of the Antitrust Authority (AGCM): on 18 October 2021, the Antitrust Authority (hereinafter also "AGCM") sent Acea Energia an invitation to remove the profiles of possible

unfairness of the commercial conduct, pursuant to art. 4, paragraph 5, of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms" adopted by the Authority with resolution of 1 April 2015.

In particular, the invitation concerned, on the one hand, the failure to refer to the existence and extent of the "marketing charges", indicated in the technical and economic conditions present on the site, within the advertising material of the offers conveyed by the Company via its own website and, on the other hand, the circumstance that the technical and economic conditions and the general conditions of supply did not specify the monetary value of the security deposit provided for by art. 6, paragraph 9 of the GCS through a reference to ARERA resolutions and not in its monetary value.

On 19 November 2021 the Company responded to this request, accepting the Authority's invitation and communicating its willingness to update all the offers made on its website, clearly indicating, for each of them, the existence and amount of any additional components applied at the Company's discretion.

In addition, the Company informed the AGCM that for all offers other than PLACET and gas protection, it removed from the general conditions of supply any reference to the "right to ask the customer to pay a deposit as a guarantee for each supply according to the criteria laid down by ARERA" and inserted the wording "None" in the paragraph of the summary sheet entitled "Guarantees requested from the customer".

Subsequently, following brief discussions with the AGCM, the Company sent the Authority an addendum to the reply previously sent, containing a specification of the methods for representing offers made through its website. In particular:

- the Company informed the Authority that it will also indicate marketing charges, with the same graphic evidence with respect to the energy/gas component, in the card relating to the offer present on the site. Furthermore, in order to further strengthen the information set made available to consumers, the Company represented that, with regard to the item "Wholesale price" present on the card of each offer, it will insert — by the end of January 2022 — a specification in which, next to the aforementioned item, information is also reported on the average wholesale price expressed in €/kWh for electricity or €/Smc for gas, referring to a predetermined and explicitly indicated time period;
- the Company also announced that it has made further changes to its website. In detail, with a view to further strengthening protection for its users, a number of clarifications were made regarding the "Loyalty bonus of € 80", by clarifying that this bonus will be paid in the bill after the 12th month of supply, and the wording "100% discount on the monthly contribution for one year", by changing the reference to the aforementioned discount, clarifying that the Company will be responsible, for the first year of supply, for payment of the monthly contribution indicated in the economic conditions.

OVERSEAS

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Water Volumes	Mm ³	41	41	0.10	0.25%
Volumes fed into the grid	Mm ³	77	79	(2.7)	(3.5%)
Number of customers (user accounts served)	No.	122,308	121,172	1,136	0.9%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	77.1	62.4	14.7	23.6%
Costs	49.7	37.1	12.6	34.0%
EBITDA	27.4	25.3	2.1	8.3%
Operating profit/(loss) (EBIT)	16.4	12.1	4.3	35.5%
Average workforce	2,238	987	1,251	126.8%
Capex	4.6	3.1	1.5	48.2%
Net Financial Position	(18.9)	(9.0)	(9.9)	109.3%

EBITDA

(€ million)	31/12/2021	31/12/2020	Change	% change
EBITDA - Overseas Segment	27.4	25.3	2.1	8.3%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	2.2%	2.2%	0.0 p.p.	

The Segment currently includes the water companies that manage the water service in Latin America. Specifically:

- Aguas de San Pedro (Honduras) 60.65% owned by the Group as of October 2016, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic) wholly owned by the Group, provides the service to the local Municipality known as CAASD (Corporation Aqueducto Alcantariado Santo Domingo);
- Aguazul Bogotá (Colombia) of which the Group holds 51% is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- Consorcio Agua Azul (Peru) is controlled by the Group which owns 44% and provides the water and discharge service in the city of Lima. Control of the company was taken by virtue of the amendment of the shareholders' agreements and the purchase on 13 January 2020 of additional shares in the company from the outgoing shareholder Impregilo International Infrastructures N.V., which increased the Group's shareholding from 25.5% to 44.0% (+18.5%);
- Acea Perù is wholly owned by Acea International and was established on 28 June 2018. This company was established with the specific intent to manage the aqueduct service in the city of Lima;
- Consorcio Servicio Sur controlled by Acea International (50%), Acea Ato2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consorcio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru);
- Consorcio Acea controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 15 December 2020. Consorcio Acea signed a three-year contract for the management of pumping stations for drinking water in Lima;
- Consorcio Acea Lima Norte controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 5 January 2021. Consorcio Acea Lima Norte signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima;
- Consorcio Acea Lima Sur controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 6 October 2021. Consorcio Acea Lima Norte signed a three-year contract for corrective maintenance of the water and sewerage network in the southern zone of Lima.

The Segment closed 2021 with an EBITDA of € 27.4 million with an increase compared to 31 December 2020 of € 2.1 million. The change derives mainly from the consolidation of **Consorcio Acea Lima Norte** (+€ 1.0 million), which in 2021 began maintenance activities on the water and sewer network in the northern area of Lima, and from the increase in margins of **Aguas de San Pedro** (+€ 1.2 million).

The average number of staff at 31 December 2021 was 2,238, an increase of 1,251 people compared to 31 December 2020. The change derives from changes in the scope of consolidation (+1,571 employees) offset by the reduction attributable to **Acea Perù** (-217 employees) which in the first half of 2020 managed a six-monthly contract for maintenance in the zone of North Lima in an emergency situation. Investments as at 31 December 2021 amounted to € 4.6 million, up by € 1.5 million compared to the previous year. The change is mainly attributable to **Consortio Acea Lima Norte**, **Consortio Acea Lima Sur** (+€ 0.8 million) and **Aguas de San Pedro** (+€ 0.7 million).

The net financial position as at 31 December 2021 was positive by € 18.9 million and recorded an improvement of € 9.9 million compared to 31 December 2020 mainly attributable to **Aguas de San Pedro** (€ 7.1 million) and **Acea International** (€ 2.0 million).

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events occurred in the period.

WATER

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Water Volumes	Mm ³	532	530	2	0.4%
Electrical Energy Consumed	GWh	726	691	35	5.1%
Sludge disposed of	KTon	209	169	40	23.7%
Gas Delivered	m ³	83,453,608	57,354,910	26,098,698	45.5%
Gas No. of active Users	No.	93,926	62,058	31,868	51.35%
Network Completed	Km	844	835	9	1.1%
White certificates	No.	4,220	4,066	154	3.79%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	1,237.9	1,208.4	29.5	2.4%
Costs	582.6	594.0	(11.4)	(1.9%)
EBITDA	655.3	614.4	40.9	6.7%
Operating profit/(loss) (EBIT)	307.7	309.9	(2.2)	(0.7%)
Average workforce	3,475	3,292	183	5.5%
Capex	522.0	476.0	46.0	9.6%
Net Financial Position	1,681.4	1,483.7	197.6	13.3%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Water Segment	655.3	614.4	40.9	6.7%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	52.2%	53.2%	(1.0 p.p.)	

The EBITDA for the area at 31 December 2021 was € 655.3 million, an increase of € 40.9 million compared with 31 December 2020 (+6.7%).

The increase is mainly attributable to **Acea Ato2** (+€ 26.6 million) as a result of the higher value of ERC Capex valued on the basis of the MTI-3 with reference to the investments that came into operation in 2019 and FoNI, offset by the lower value of Capex, Opex and adjustments. The improvement in margins is due to cost efficiency (-€ 11 million), the increased capitalisation (+€ 8 million)

the reduction in sludge disposal costs, due to the overcoming of the crisis in the management of sludge produced by the treatment plants within the region (-€ 7.2 million); **Acea Ato5** (+€ 7.0 million) and **AdF** (+€ 2.3 million) both contributed to the increase in margins due to cost efficiency. The change in the scope of consolidation due to new consolidations is provided by **SII** (+€ 11.6 million) and **AdistribuzioneGas** (+€ 3.1 million).

Finally, the contribution to EBITDA of water companies valued at equity, amounting to € 16.7 million, decreased by € 10.8 million

due to the effect of decreases recorded by **Publiacqua** (-€ 5.9 million) and by the **Gruppo Acque** (-€ 3.2 million), mainly attributable to the increased amortisation and depreciation, also in consideration of the approach of the expiry of the concession.

€ million	2021	2020	Change	% change
Publiacqua	4.7	10.6	(5.9)	(55.3%)
Gruppo Acque	9.4	12.6	(3.2)	(25.1%)
Umbra Acque	1.6	2.2	(0.6)	(28.9%)
Nuove Acque and Intesa Aretina	0.7	0.8	0.0	(2.8%)
Geal	0.2	0.8	(0.6)	(69.1%)
SII	0.0	0.6	(0.6)	(100.0%)
Total	16.7	27.6	(10.8)	(39.3%)

The quantification of revenues for the period deriving from the integrated water service is valued in line with the new MTI-3 method. The item includes the estimate of the tariff adjustments relating to the so-called carry-over items for the period that will be invoiced as from 2021. The following two tables in the section summarise on the one hand the status of the procedures for approving tariff proposals and on the other hand revenues from SII, broken down by company and component, as well as the considerations underlying the determination of revenues for the period.

The operating result was affected by the growth in amortisation and depreciation (+€ 34.9 million), mainly due to the consolidation of **SII** (+€ 8.5 million) and **Adistribuzione gas** (+€ 3.0 million) and the remainder to the higher amortisation and depreciation recorded by **Acea Ato2**, also due to the entry into operation of the new plants (+€ 19.6 million).

The average number of staff at 31 December 2021 was 3,475 people, an increase compared to the figure at 31 December 2020 of 183 people mainly attributable to **Acea Ato2** (+71) and **GORI** (+78).

Investments in the Segment amounted to € 522.0 million, an increase of € 46.1 million, due to the higher investments made by **Acea Ato2** (€ 32.9 million) and **GORI** (€ 6.0 million), while the consolidation of **SII** contributes € 8.3 million and **Adistribuzione gas** € 2.5 million. This change was offset by lower investments recorded by **Acea Ato5** (-€ 6.3 million). The investments refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders).

The Segment's net financial position at 31 December 2021 stood at € 1,681.4 million, a deterioration of € 197.6 million compared with 31 December 2020, mainly attributable to **Acea Ato2** for the investments for the period and for the operating cash flow dynamics.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Lazio - Campania area

Acea Ato2

The Integrated Water Service in OTA 2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities

The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

took place gradually and the Municipalities currently managed are 80 compared to 113 of the entire OTA. Nonetheless, compared to the previous year, it should be noted that on 14 July 2021 with Regional Council Resolution no. 10, which followed Regional Executive Resolution no. 752 of 3 November 2020 on the same subject, Optimal Territorial Area no. 2, Central Lazio-Rome, was modified including in it the Municipality of Campagnano di Roma, which previously belonged to OTA no. 1 North Lazio-Viterbo. In this way the total number of Municipalities of OTA 2 went up from 112 to the current 113. Further, the drinking water service of the Municipality of Arsoli was acquired from 1 December 2021, while the acquisition of the sewerage service will be carried out subject to the condition precedent laid down in the same Report. The following table shows the overall situation in the territory managed, which has not changed compared to the previous year.

Acquisition situation	No. of Municipalities
Municipalities that declared they do not wish to be part of the Integrated Water Service (*)	7
Municipalities with Protected Entity	2
Municipalities fully acquired into the Integrated Water Service	80
Municipalities partially acquired, for which Acea Ato2 provides one or more services:	17
Municipalities to be acquired	7

(*) Municipalities with less than 1,000 inhabitants which had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.

The Company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution). Water is drawn from springs on the basis of long-term concessions. Water sources supply drinking water to approximately 3,900,000 residents in Rome and Fiumicino and in more than 61 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes.

Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.

In 2021, Acea Ato2, in order to safeguard the sources of supply and implement an increasingly sustainable management of water resources, refined the study of the availability, in quantitative terms, of potential groundwater resources and the possible impacts related to the withdrawal of water resources through the monitoring of several variables and the implementation of appropriate interpretative

models. In addition, the campaign to reduce physical and commercial losses and improve network efficiency continued.

In particular, in 2021:

- the districting of a further 3,049 km of the water network was completed. The districting of the networks, namely the delimitation of the distribution districts (or measurement districts), has the purpose of making the network operation more efficient, controlling in detail the level of the losses in the individual districts and guiding the instrumental research activities for their reduction. Overall, as of 31 December 2021, there are approximately 10,700 miles of districted water mains that are continuously and remotely monitored with 2,222 sensors installed in the field;
- the search for hidden leaks was carried out through a punctual and systematic analysis of the networks according to the anomalies emerging from the monitoring of the water districts implemented;
- more than 100 pressure regulation devices have been installed, capable of implementing an active management of pressures and reducing the frequency of occurrence of breakdowns in distribution networks;
- implementation of remote monitoring of meters installed at supply sources continued, with the aim of optimising the quality of process measurement and the timeliness of measurement acquisition for the purpose of preparing a correct water balance;
- in several rural areas, devices have been installed to regulate flow rates at individual water meters, so as to limit consumption in the event of improper use of the water supply;
- actions aimed at ensuring the administrative regularisation of cases of unlawful withdrawals, supplies not reactivated, contracts not correctly transferred from previous managements, etc., continued, including with the use of new strategies;
- the census and georeferencing of managed networks continued, with a further 450 km of managed network acquired on the geographical system.

As at 31 December 2021, Acea Ato2 manages a total of approximately 7,011 km of sewerage network, 675 sewerage pumping stations — of which 180 in the Roma Capitale area — and a total of 160 waste treatment plants — 33 of which in the Roma Capitale area — for a total quantity of treated water equal to 591 Mmc (data referring to managed treatment plants only at 31 December 2021).

The company manages the waste treatment system and pumping stations that serve the network and sewage trunk lines.

As of 31 December 2021, the six main treatment plants had treated a volume of water equal to about 16.37 Mmc in line with the volume treated during 2020 (16.20 Mmc).

In 2021, the programme of real-time monitoring of the flow rates treated by the plants continued, which to date have reached a total of 591 Mmc out of 160 managed plants.

With regard to the production of solid and liquid matter, once the critical situations dictated by the sludge emergency and the Covid have been overcome, there are no critical situations and the overall downward trend in production is confirmed, mainly due to the reduction in sludge following the construction of drying plants and the optimisation of anaerobic digestion processes in the main plants, as well as the construction of ozonolysis installations.

With regard to analytical certificates for sludge and waste, in 2021 there was a slight decrease in the number of analyses carried out by Acea Elaborasi (external certified laboratory) compared to the average for the same period in previous years, also as a result of

the lack of parallel special sampling by ARPA due to the Covid-19 emergency. It should also be noted that the number of determinations reported on most analytical certificates has increased (more extensive types analysed).

Lastly, it should be noted that the shareholders' meeting of 20 December 2021 resolved to increase the share capital in divisible form by payment from € 362,834,320.00 to € 362,834,340.00, through the issue of 2 shares with a nominal value of € 10.00 to be reserved for the municipalities of Fonte Nuova and Campagnano di Roma, with the exclusion of option rights, pursuant to paragraph 5 of art. 2441 of the Italian Civil Code and to set 31 December 2022 as the deadline for the subscription and execution of the approved increase.

Acea Ato5

Acea Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the OTA 5 region – Southern Lazio – Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca d'Evandro are “outside the scope”) for a total population of about 489,000 inhabitants, a population served of 455,164 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 201,878.

The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals.

There are 229 sewerage pumping stations managed by the Company and 127 treatment plants, including the “inaccessible” plants and those outside the OTA (Rocca d'Evandro and Conca Casale).

In 2021, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Information System. According to the 2019-2022 plan for significant activities, as at 31 December 2021 the size of the water network is 6,027 total km (1,207 km supply +4,820 km distribution).

With regard to the acquisition of the plants relating to the management in the Municipality of Paliano, in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 — which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service — with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was “limited to a period of three years from the date of signing of the Management Agreement between OTAA 5 and Acea Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be considered without title”.

Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Sec-

retariat of OTAA 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties — with minutes of 26 November 2018 and 29 November 2018 — performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them. The Parties subsequently held other meetings in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to Acea Ato5. However, the Municipality has not provided all the requested information. Acea Ato5 informed the OTS of this situation on 3 December 2020, and, in the meantime, on 15 December 2020 the Lazio Region also requested clarifications from the Municipality of Paliano and the Area Authority regarding the non-completion of the operations to transfer the Integrated Water Service to Acea Ato5, warning that in the event of failure to comply with this obligation, procedures would be initiated for the application of substitute powers pursuant to art. 172, paragraph 4 of Italian Legislative Decree no. 152/2006, as amended. The Municipality of Paliano requested an extension to the deadline of thirty days assigned by the Lazio Region. We are therefore awaiting the initiative of the Municipality of Paliano and the Area Authority required to finalise the transfer of the IWS of the Municipality of Paliano.

With regard to the Municipality of Atina, whose management of the IWS has been transferred to Acea Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to “establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2-bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a ‘local public service without economic importance’”. OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court - Latina Section — also serving the Company and the Lazio Region.

As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality’s request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

With reference to significant events during the period and the complex state of litigation, it should be noted:

Appeal to the Lazio – Latina Regional Administrative Court (docket no. 308/2021 section I) for the annulment of Resolution no. 1 of 10 March 2021

Acea Ato5 presented an appeal to the Lazio Regional Administrative Court, Latina section, for the annulment, following adoption of

adequate precautionary measures, of Resolution no. 1 of 10 March 2021 (published on 18 March 2021) with which the Mayors’ Conference of Ato5 containing the 2020-2023 Tariff Decisions pursuant to ARERA Resolution no. 580/2019/R/idr “Approval of the Water Tariff Method for the third regulatory period MTI-3”, as amended, approved the proposed tariff of the IWS (integrated water service) for the 2020-2023 regulatory period, in the part where it does not include the grounded requests of the Operator Acea Ato5 regarding the recognition of greater costs for the adjustment to the quality standards of the service ($Opex_{QC}$), the recognition of greater costs for unpaid amounts (CO_{mor}), as well as the part where it refers to the recognition of adjustments due to the operator (RcTOTa) in subsequent regulatory periods and at the end of the concession (on the Residual Value – RV at end of concession).

At the hearing on 26 May 2021, the Regional Administrative Court, recognising that the matter was highly complex and required further analysis, set the trial for 15 December 2021. On 21 December 2021, the Lazio Regional Administrative Court - Latina Section with Sentence no. 691/2021 deemed the appeal inadmissible. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the precautionary petition.

Injunction order for payment of € 10,700,000 and counterclaim by OTAA 5 for concession fees

On 28 February 2017, sentence no. 304/2017 of the Court of Frosinone was published, related to civil judgement RG 1598/2012, pending between Acea Ato5 and the Optimal Territorial Area Authority no.5.

Indeed we recall that Acea Ato5 SpA had acted, in 2012, with the proposition of a monitory action intended for the recovery of its credit (for the amount of € 10,700,000.00) arising from the Settlement Agreement signed with the Area Authority on 27 February 2007, in implementation of the resolution of the Mayors’ Conference no. 4 of 27 February 2007 relating to recognition of higher operating costs incurred in the three-year period of 2003-2005 in the start-up phase of the Concession.

The Area Authority had opposed the injunction, disputing the existence of the credit and the validity of the Transaction on the presumption that the same had been replaced by the annulment by own determination of Resolution no. 4/2007 (made as a result of subsequent Resolution of the Mayors’ Conference no. 5/2009). Furthermore, the same Area Authority had disputed the legitimacy of the Transaction, since, in its words, the same had been adopted in violation of the regulations in force pro-tempore and specifically the Normalised Method as per Italian Ministerial Decree 1.08.1996. Finally, the Area Authority — in formulating an objection to the injunction order, for the substantial reasons mentioned above — had also filed a counter-claim intended to obtain the payment from the Company of the concession fees related to the 2006-2011 period and quantified as € 28,699,699.48.

In this context, the Court of Frosinone, with sentence no. 304/2017:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no. 5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settlement Agreement of 27.02.2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called “price cap” principle is only valid for any tariff increases. However, it did annul the injunction order on the assump-

tion of the nullity of the Resolution of the Mayors' Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;

- rejected the requests made by the defending counsel of Acea Ato5 alternatively (in the event that the Settlement Agreement had been declared invalid), intended for the recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of Acea Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:
 - a. the commitment of Acea Ato5 to pay € 1,370,000 by December 2017;
 - b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty – initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by Acea Ato5 for the Concession Fee – acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to “refer” to OTAA 5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. During the aforesaid hearing, documents were submitted attesting to the latest payments by Acea Ato5 in favour of OTAA 5.

Consequently, the Company – through its lawyers – described that:

- a. in response to the commitment to pay € 1,370,000 by December 2017 – Acea Ato5 paid:
 - € 1,287,589 on 5 January 2018, directly to OTAA 5;
 - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art.2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93;
- b. with these latest payments, Acea Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the OTS no. 88 of 08.11.2017. In particular, express recognition is given of the fact that “in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012”.

At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA 5, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert's report was to be submitted by 10 November 2021 and the technical expert's examination was set for the hearing on 30 November 2021. At the subsequent hearing of 15 December 2021, the Company formalised a settlement proposal, in order to settle the dispute amicably. This proposal will be evaluated by the Mayors' Conference of OTAA 5. The Judge set the hearing for 12 April 2022 for the definition of the conclusions.

In connection with these proceedings, the appeal – RG 6227/2017 – must be considered against judgement no. 304/2017 of the Court of Frosinone that revoked the court order of € 10,700,000, initially issued by said Court.

The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure. The proceedings were postponed to 30 June 2021. At the hearing on 30 June 2021, the Court of Appeals adjourned the hearing ex officio to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- the legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not in itself determine the non-existence of the receivable.

The validity of the appeal and of the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of art. 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In the Conciliation Proposal sent to the parties on 26 November 2019, previously approved by the Board of Directors of the Company on 19 December 2019 and currently being examined by the Mayors' Conference of OTAA 5, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and

the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the “savings on the concession fees to be paid to the Municipalities” (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to “unspecified savings on the concession fees to be paid to Municipalities” was not considered adequate and sufficient;

- considered that there are valid and grounded reasons to grant the Operator’s request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company’s financial statements.

At the hearing on 30 June 2021, the Court of Appeals adjourned the hearing ex officio to 6 July 2022.

Updating of the concession fee

With resolution no. 1 of 26 March 2018, Conference of Mayors ordered that the payment of the instalments of loans taken out by Municipalities, from the second half of 2013 until the end of the Concession, shall be disbursed directly by the Operator. Consequently, with the tariff update ordered on 1 August 2018, by immediately implementing the provisions made by ARERA contained in the sanctioning measure DSAI/42/2018/idr, with regard, among other things, to the fees relating to unmanaged Municipalities, the mortgage component of the Concession Fee was adjusted in 2019 by adding the amount of the same specified in the annex to aforesaid resolution no. 1 of 26 March 2018. No adjustment of the mortgage component was implemented for the years 2013-2017, as Resolution no. 1 of 26 March 2018 did not imply any change to the amount of the mortgage component approved in the various tariff provisions. In addition, any recalculation of loan costs (MTp) must be approved by the Conference of Mayors and must be included in the Economic and Financial Plan (EFP) of the next tariff update in view of the fact that, even at the time of approval of the tariff update 2018-2019, approved by the Conference of Mayors on 1 August 2018, nothing was established regarding the fees for the above years.

For the reasons set out below, the Company did not consider that the obligation to pay this difference to the Area Authority had failed, and therefore it did not reduce the provisions in its financial statements for concession fees:

- the aforementioned Resolution of the Conference of Mayors has made no provision for the difference;
- in compliance with the regulations in force, the quantification of the concession fees is the exclusive responsibility of the Area Authority and therefore any recognition of the difference (with consequent extinction of the relative obligation) can only take place following the revision of the tariffs for the years 2013-2017 and the relative Economic and Financial Plan (EFP) by the Area Authority;

- when reviewing the tariffs for the two-year period 2018-2019 and the related EFP, the Area Authority implemented the reduction in concession fees only as from 2018 (with a substantial reduction of about € 1,658 thousand in 2018), leaving those for the 2013-2017 years unchanged;
- for the 2013 financial year, the AGB had issued invoices to the Company for the difference between the concession fee resulting from the relevant tariff and the charges for the loans that the Operator had paid to the municipalities based on the aforementioned Resolution;
- the exact quantification of the concession fees for the aforementioned years and the assessment of their reallocation and treatment for tariff purposes was an open issue for both parties, so much so that it was referred to the Conciliation Board established between OTAA 5 and the Operator, in accordance with the provisions of art. 36 of the Agreement.

It should also be noted that since it is a so-called “pass-through cost” in the tariff definition, i.e. charged as a tariff without any economic return for the Operator (a sort of collection on behalf of third parties), its effect is substantially neutral in the Operator’s financial statements: it is recorded as revenue and at the same time and in equal measure as a cost. For this reason, even if the Company mistakenly did not fulfil its obligation to pay the difference and recognised out-of-period income as an adjustment to the amount due for the concession fee, it would have had to recognise out-of-period income of the same amount following a reduction in the adjustments for the years 2013-2017, with clear economic effects that are insignificant from both a statutory and fiscal point of view.

It should be noted that on 27 November 2019 the aforementioned Conciliation Board submitted to the Company and to the Area Authority a specific Conciliation Proposal, with an attached deed still to be signed. In these documents, the Conciliation Board has, among other things, put forward a proposal to reduce the tariff adjustments claimed by the Operator by the difference of € 12,798 thousand between the concession fees approved in the various tariff arrangements for the years 2013-2017 and the amounts to be paid directly to the municipalities on the basis of Resolution no. 1 of 26 March 2018. This proposal for allocation to offset existing receivables confirms the Operator’s indebtedness of this difference, corroborating the Company’s decision not to release the related liabilities in its financial statements.

Conciliation Board with OTAA 5 and subsequent discussions with the AGB

With regard to **relations with OTAA 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTA 5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made — including organisational efforts — to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato 5. Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 OTAA 5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies. On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA 5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees - the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000 (it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings - see the description in the preceding paragraph "Injunction order for € 10,700,000 and counterclaim OTAA 5 concession fees");
- quantification of the concession fee relative to the period 2012-2017, and the linked destination of any economies for a total of € 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) - the Board proposes recognition of this credit in favour of the Operator;

- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regard to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by AATO 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the Ato 5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato5, assessed in the amount of € 650,000.00 - the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000.00 - the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000.00;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 - the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 - the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of AATO 5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between AATO 5 and Acea Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in

the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. Based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 the Company decided to allocate a provision for risks for € 4,500,000.

To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents. Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of, at least, the preliminary phase of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone. Subsequently, on 26 January 2022, the OTS of OTAA 5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 relating to the aforementioned savings on concession fees for the period 2012-2017, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which — according to the OTS — was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2017 licence fees, had clarified that “these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager” and that they would indeed represent a suitable financial source to cover the debt of € 10,7 million owed to the Manager or, alternatively, — as proposed in the draft conciliation agreement — to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.

However, the Company is willing to set up a round table to discuss the matter further and find the most suitable solution to reconcile their mutual interests. As of the date of this report, no response to this note has been received from the OTS of the AGB.

In view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA 5, the Company considers the draft Conciliation approved by the Board of Directors of Acea Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent — to the extent of the net amount of € 4.5 million to be paid to the AGB under it — an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2021 financial statements.

As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.

The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and — most recently — on 2 March 2022, in which, respectively, it disputed

the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

Criminal proceeding no. 3910/18

With regard to criminal proceeding no. 3910/18 RNGR of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 RNGR, pending for the alleged violation of art. 4 of Italian Legislative Decree 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of Acea Ato5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed, whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the aforementioned hearing in the Council Chamber, the Court of Frosinone upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. To date, the restitution procedure has been resolved with the release of the sums by the Single Justice Fund. This case was combined with criminal proceeding no. 2031/16 RNGR.

At the same time, however, a court summons had been sent to a former Executive of the Company. At the hearing set for the discussion of the preliminary matters and for the opening statement of the proceedings itself, it will be recorded that the facts of the count of indictment are the same as those for which criminal proceeding RGNR 2031/2016 is pending.

The first evidentiary hearing was held on 19 October 2021. Adjourning to 16 November 2021, for dissolution of the reservation on the exception proposed by the defendant's lawyer concerning the territorial jurisdiction of the Court of Frosinone. Preliminary issue rejected and adjourned to 19 April 2022 for examination of witnesses by the Public Prosecutor. For other details concerning relations with the Area Authority, please refer to the previous paragraph “Conciliation Board with OTAA 5 and subsequent discussions with the AGB”.

ARERA sanctioning measure concerning IWS tariff regulation

With determination no. DSAI/42/2018/idr of 21 May 2018, ARERA started a sanctioning procedure regarding the tariff regulation of the integrated water service, the result of the audit carried out by the ARERA in collaboration with the Special Energy Unit and the water system of the Guardia di Finanza from 20 to 24 November 2017 at the Company's offices.

On 4 July 2019, ARERA published Resolution 253/2019/S/idr of 25 June 2019 imposing administrative fines on Acea Ato5, pursuant to art. 2, paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/idr.

On 3 October 2019 the Company filed an appeal with the Lombardy Regional Administrative Court against the aforesaid measure to have it thrown out, and to have the amount of the fine reviewed. Moreover, following the submission of the appeal, the Company

sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

Regarding the appeal in question, there is no information as of today regarding the setting of the hearing. In any case, also because of the penalty payment reminder sent by ARERA on 16 October 2019, the Company paid the entire penalty imposed on it.

AGCM sanctioning measure - Proceeding PS9918

On 5 July 2018, in implementation of the Resolution adopted by the Italian Antitrust Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, paragraph 3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the “Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violations of consumer rights in contracts and unfair terms” (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Frosinone regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by Acea Ato5 in the period January 2015-June 2018.

On 10 January 2019 a hearing was held at the AGCM – in response to a formal request formulated at the same time as the requests for information referred to in the provision of objective extension of the proceeding. During the aforementioned hearing, the Company highlighted the constant attention it had shown its consumers, implementing for this purpose a series of measures and improvements in the procedures concerning the management of the activities disputed by the Authority. Reaffirming what has already been fully explained in the feedback sent to the Authority, the Company provided further information and documentation regarding the activities implemented (collaboration with the OTUC, opening of the consumer counter, activities aimed at solving historical arrears) in a perspective of constant attention to consumer issues.

On 20 February 2019, the AGCM, with regard to the PS/9918 proceeding, announced that it had extended the deadline for the conclusion of the proceeding to 23 May 2019.

On 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company. In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses. On 20 March 2019 the Company filed a defence brief and supporting documentation.

On 4 July 2019, the Authority notified the Company of the sanctioning measure with a pecuniary administrative sanction totalling € 1.0 million was imposed. The Company made a specific addition to the financial statements. On 3 October 2019 the Company filed an appeal with the Lazio Regional Administrative Court – registered under docket no. RG 12290/2019 section I – against the aforesaid sanctioning measure, requesting its cancellation with precautionary suspension. In the Chamber of Council of 6 November 2019 to discuss the request for precautionary sus-

pension, the Regional Administrative Court of Lazio issued Order no. 7223 with which it rejected the application for precautionary suspension.

The decision of the Regional Administrative Court does not address the individual grounds of the appeal, which will only be ruled on at the hearing, yet to be scheduled. In particular, according to the administrative judge “with regard to the extent of the financial penalty imposed and the feared consequences on the business activity, it does not appear to be extremely serious and urgent as per art. 119, paragraph 4 of the Italian Criminal Code for the granting of the requested precautionary protection, also taking into account the fact that the claimant company is in any case entitled to file a request for payment in instalments”.

In view of the aforesaid decision, since the Company has the power to do so, on 3 December 2019 the Company submitted to the Authority a request for payment in instalments, which the Authority accepted on 21 January 2020.

On 26 February 2020, a request for information was received from the Italian Competition Authority pursuant to art. 3, paragraph 2 of the “Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms” regarding the effectiveness of the measures put in place by Acea Ato5 following sanction no. 27798 of 5 June 2019, adopted at the outcome of the PS9918 preliminary investigation procedure.

In particular, with reference to the July-December 2019 and January-February 2020 periods, the Authority requested specific information about:

- the number of claims received, distinguishing and specifying the reason for each individual claim;
- number of claims accepted and number of claims rejected;
- number of payment reminders and disconnection notices sent to the users;
- number of executive procedures begun to collect overdue amounts;
- number of water service disconnections carried out, indicating the reasons and the procedures followed.

On 17 March 2020, the Company responded to the aforementioned request, highlighting the improved pro-consumer management of the relationship with users.

In particular, the evidence submitted confirmed that:

- no requirements had been imposed by the Authority with regard to the verification referred to in Sanction Order no. 27798 of 5 June 2019. In fact, the Company had already improved its performance of the activities in question during the audit;
- the Company had for some time already implemented or modified its procedures – in compliance with current sector legislation – in order to best meet the changing needs of consumers, also to take into account the regulatory measures recently adopted by ARERA.

In light of these considerations and taking into account the data available to date, no relevant findings emerged with regard to the requests made by the Authority. At present, there are no updates nor have additional requests been received from the Authority.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations “Free Monte” and “Codici Onlus”, all the parties allegedly harmed by the facts of the crime against the defendants were admitted. Finally, at the instigation of several civil parties, the citation of Acea Ato5 and Ato 5 Lazio Meridionale Frosinone as civilly liable was authorised. Ordered to be postponed until 18 February 2022. During the course of the hearing, Acea Ato5 was presented as the party liable under civil law, and the judge adjourned the hearing until 14 March 2022 to allow the Public Prosecutor and the civil parties to respond to the territorial jurisdiction issue put forward by the defendants’ defense.

At the hearing of 14 March 2022, the judge of the preliminary hearing rejected the question of territorial jurisdiction and adjourned the hearing to 28 March 2022 for the continuation.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)

With Injunction no. 1131/13, no. RG 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert’s report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement.

See also the additional information contained in the paragraph “*Information on services under concession*” and with reference to the proceedings Italian Legislative Decree no. 231/2001 in the paragraph of this “*Report on Major Risks and Uncertainties*”. Moreover, with reference to additional complex cases related to legal controversies, filed or being filed, between Acea Ato5 and the Environmental Authority, see the “*Update on primary legal controversies*” paragraph of this document.

Notice of assessment for 2013 and subsequent years and tax audits

On 3 January 2019 notice was served by the Revenue Agency – Dir. Prov. of Frosinone – Audit Office of a notice of assessment for IRAP for the year 2013. The Company has lodged an appeal. On 3 July 2019, a hearing was held at the Frosinone Regional Tax Commission. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013.

It is the intention of the Company to challenge the aforementioned judgement and to lodge an appeal before the Regional Tax Commission.

The deadline for this action is six months from the date of filing of the judgement, therefore 23 April 2020. This deadline was extended to 11 May 2020 due to the health emergency. The appeal has been presented and at present we are waiting for the hearing to be scheduled.

During 2019, the Guardia di Finanza also continued its audit of income taxes for the years 2014 to 2018.

On 31 December 2019 the parent company Acea SpA and the subsidiary Acea Ato5 were served by the Revenue Agency – Dir. Prov. of Frosinone – Audit Office – of two notices of assessment for IRES for 2013 and 2014.

These notices of assessment are a consequence of the findings of the tax assessment reports drawn up on 25 October 2018 (mentioned above) and on 30 October 2019, in which the auditors of the Guardia di Finanza found:

- for the tax year 2013:
 - undue decrease in income of € 10,703,757;
 - positive income components not recorded and not declared for € 829,552;
 - negative income elements unduly deducted for € 1,559,616.

With this report on findings (PVC), the second and third points are resolved, given that the critical points noted in the report and initially ascribed to the tax year 2013 had an impact on subsequent years:

- for the tax year 2014:
 - positive undeclared income components of € 18,800,000.

The Company appealed these fines with the Provincial Tax Commission of Frosinone on 28 February 2020 in compliance with the

deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea, with regard to the assessments of the IRES tax for 2013. The meeting for discussion originally set for 18 November 2020 was postponed to 19 January 2021. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the “remote” tax proceedings. On completion of the proceeding of 13 April 2021, the Provincial Tax Commission of Frosinone informed the company that it had accepted the IRAP 2014 and IRES 2014 appeals, ordering the Revenues Agency to pay for the legal expenses. An appeal was lodged by the unsuccessful party against the aforesaid judgement.

On 23, 29 and 30 December 2021, Acea SpA and the Company were served by the Revenue Agency – Dir. Prov. of Frosinone – Audit Office – two notices of assessment for IRES for 2016 and IRAP for 2015 and 2016. These notices of assessment are also a consequence of the findings of the Tax Assessment Reports drawn up on 30 October 2019, in which the auditors of the Guardia di Finanza found:

- for IRES and IRAP purposes for 2016:
 - an unrecognised non-recurring gain arising from the higher GRC recognised by ARERA for € 3,337,920.00; and
 - an undue decrease in non-deductible negative income components for € 1,559,616.88;
- for IRES and IRAP purposes for 2015:
 - an undeductible contingent liability recorded in the 2015 financial statements and related to the non-management of the municipalities of Atina, Cassino Centro and Paliano for the years 2012, 2013 and 2014 for € 4,235,918.00;
 - the recognition in 2017 of non-recurring gains and adjustments for lower depreciation and amortisation, which amounted to € 1,389,265.00 in 2015.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the “remote” tax proceedings.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the “Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms”, with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by Acea Ato5.

This request stemmed from the clarification note sent by the Municipality of Vicalvi at the beginning of 2020 and recalled by the same Authority in which it was asked to justify this attribution in view of the fact that only *Imhoff* tanks are used in the municipal territory and there are no purification plants.

Specifically, the Authority asked to know:

- details of the municipalities in which no purification service is offered;
- the number of users residing there who are charged for the purification service;

- any initiatives taken for the activation of new and/or additional treatment plants, specifying the date of their entry into operation.

In this regard, having to deal with the exceptional operational difficulties related to the extraordinary emergency situation created following the spread of Covid-19, which inevitably affected the timing of the collection of the requested information and the preparation of the subsequent response – whose deadline was set at 2 April 2020 – it was considered appropriate to request an extension of the deadline to 30 April 2020.

On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by Acea Ato5, with note no. 0141201/20.

In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff. The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008.

Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of treatment plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WP).

Finally, with specific reference to the position of the Municipality of Vicalvi, the Company has provided the necessary clarification regarding the charge made to users residing in the aforementioned municipality of the tariff relating to the purification service, specifying that this charge is legitimate due to the presence in the municipal territory of *Imhoff* tanks, delivered to the Company at the time of the transfer of the IWS, which are in fact, both at an operational and regulatory level, purification plants, so much so that the costs of managing them have been recognised and approved by OTAA 5 in the 2016-2019 tariff preparation.

The above demonstrates that, unlike what was stated by the Municipality of Vicalvi, the provision of a charge in the tariff for the costs of managing *Imhoff* tanks – through the tariff item relating to the purification service applied to users whose discharges flow into such system – is entirely lawful, and as recognised by the Operational Technical Secretariat of OTAA 5 it is consistent not only with the tariff method approved by ARERA with resolution no. 580/2019/idr, but also and above all with the principles affirmed by the Constitutional Court with judgement no. 335 of 2008, according to which the tariff, as a contractual consideration, must “express the industrial cost of the water service represented [...] by the integration of collection, supply, distribution, collection and purification services”. At present, there are no updates nor have additional requests been received from the Authority.

With reference to **progress of the procedure for approving the water tariffs for OTAA 5**, at present water tariffs for the 2012-2015 period have been approved by ARERA (Resolution 51/2016/R/idr of 11 February 2016).

In fact, recall that the water tariffs are established by the governing bodies for the area, or by other competent entities identified in regional law, and then sent to ARERA for approval. In the case of

inaction by governing bodies for the area, the Operator may take the initiative.

Regulatory period 2016-2019

With Resolution 664/2015/R/idr of 28 December 2015, ARERA approved the Tariff Method for the second regulatory period “MTI-2”, defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-2, the Company continued to provide the Area Authority with information and clarifications useful for preparation of the 2016-2019 tariff. Despite the sending of these documents, the Area Authority did not prepare any tariff proposals for the 2016-2019 period. Therefore, seeing the inaction of the Area Authority, on 30 May 2016 the Company sent to the OTAA 5, via certified email, cc’ing ARERA, the tariff request pursuant to art. 7, para. 7.5 of Resolution 664/2015. With a note ref. no. 19984/P of 13 July 2016, ARERA convened the Area Governing Body and the Operator for a meeting on 19 July 2016. After this meeting, and based on the tariff preparation carried out by the OTAA 5 OTS, the Conference of Mayors was convened for 29 July 2016. This Conference also did not lead to any tariff decision. Responding to the tariff request made by the Operator on 30 May 2016, ARERA sent OTAA 5, on 16 November 2016, a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the second regulatory period 2016-2019, noting that, after this deadline the Operator’s request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days. After the warning from ARERA, on 13 December 2016 OTAA 5 approved the tariff proposal.

At present, definitive approval by ARERA is awaited.

Two-year update 2018-2019

With Resolution 918/2017/R/idr of 27 December 2018, ARERA created regulations for the two-year update to tariffs for the integrated water service.

Implementing this regulatory framework, on 1 August 2018 the Conference of Mayors of OTAA 5 formalised approval of the tariff multiplier for the years 2018 and 2019 in the maximum amount established under the Tariff Method, 8%, through Resolution no. 7, without prejudice to the study done by ARERA for the change in the theta which determines tariff changes exceeding the limit established in MTI-2. Additionally, with Resolution 8 of 1 August 2018, the Conference of Mayors approved, pursuant to art. 3, para. 1, of Resolution ARERA of 28 September 2017, 665/2017/R/idr, the new tariff structure (TICSI).

As described in detail below, note that on 21 May 2018, with Resolution DSAI/42/2018/IDE of 21 May 2018, ARERA began a sanctioning procedure relative to the Company, which ended with the application of a fine, in relation to a series of findings relative to tariff adjustment for the integrated water service for the years 2012-2017 (hence also regarding tariffs also approved by the Authority itself, 2012-2015).

In any case, at the time of the 2018-2019 tariff update approved by the OTAA 5 Conference of Mayors on 1 August 2018, the appropriate adjustments were made based on that indicated by the Regulatory Authority in the context of the aforementioned sanctioning procedure.

At present, approval by ARERA is awaited.

It should nonetheless be specified that art. 15, para. b) of Resolution ARERA 918/2017/R/idr of 27 December 2017 establishes

that Operators are required to apply, after preparation of the two-year update by the Area Governing Bodies, and until approval by the Authority, the tariff update prepared by the Governing Bodies, in compliance with the price limit pursuant to par. 3.2 of Resolution 664/2015/R/idr.

Additionally, during October 2019, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.

To that end, below is that clarified by ARERA in its Communication of 5 February 2020, which states: “With reference to the two-year update proposals for the tariff structure for 2018-2019, sent to the Area Governing Bodies pursuant to Resolutions 917/2017/R/idr and 918/2017/R/idr, but not yet involved in specific approvals by the Authority, it is clarified that:

- the Authority will complete the investigations intended to ascertain the consistency of the relevant technical and tariff data, in the context of the verifications on the specific regulatory structures proposed for the third regulatory period (2020-2023), in observance of the MTI-3 water tariff method, pursuant to Resolution 580/2019/R/idr;
- for the two-year period 2018-2019 the tariff determinations adopted by the competent entities remain valid, which will be assessed by the Authority as part of the quantification of the adjustment components referred to in art. 27 of MTI-3 when approving the new regulatory framework.”

Regulatory period 2020-2023

With Resolution 580/2019/R/idr of 27 December 2019, ARERA approved the Tariff Method for the third regulatory period “MTI-3”, defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-3, the Company provided the Area Authority with data, information and clarifications useful for preparation of the 2020-2023 tariff. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2020-2023 period by the deadline set in the regulations in effect (31 July 2020). Therefore, seeing the inaction of the Area Authority, on 15 December 2020 the Company sent to the OTAA 5 and to ARERA, via certified email, the tariff request pursuant to art. 5, para. 5.5 of Resolution 580/2019.

On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021.

This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

With reference to **operating costs** note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021.

Relative to the **tariff multiplier** note that the Tariff Structure approved by OTAA 5 established a tariff multiplier with the following problems:

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA 5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to € 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which Acea Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied — for the respective years — is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/idr).
- it does not provide for adequate coverage of the operating costs incurred by the Operator;
- it does not apply a congruous indemnity rate for existing receivables.

As is known, following the tariff scenario approved by AGB Resolution of the Conference of Mayors of the OTAA5 no. 1 of 10 March 2021 and referred to in ARERA Resolution no 580/2019/R/idr of 27 December 2019, the Company has put in place two separate actions:

- An appeal against this resolution is before the Latina Regional Administrative Court (docket no. 308/2021 section 1);
- Submission of the request for economic-financial rebalancing (in accordance with the provisions of arts. 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/R/idr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed the sentence before the Council of State.

With reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of Ato 5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA 5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks, making use of qualified external consultants. As of the date of preparation of this report, there are no elements that can be used to predict the outcome of the request.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution no. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the Company has succeeded in managing the financial situation highlighted in the 2020 Financial Statements, partially mitigating the financial imbalance.

GORI

The Company manages the Integrated Water Service for the "Sarnese-Vesuvian" District Area of the Campania Region (which comprises 59 Municipalities of the Province of Naples and 17 Municipalities of the Province of Salerno), for a total of 76 Municipalities (however, the Municipalities of Calvanico and Roccapiemonte in the Province of Salerno are managing their water services, not having yet ensured the start of IWS management by the company). The award of the aforesaid IWS management lasting thirty years and starting from 1 October 2002 (and expiring in 2032) was finalised with the signing of a specific agreement with the granting authority Sarnese Vesuvian Area Authority (now replaced by the Campania Water Authority as per Law 15/2015 of the Campania Region) on 30 September 2002.

Established pursuant to regional law 15/2015, the Sarnese-Vesuvian District of the Campania Region covers an area of approximately 900 square kilometres with a population of approximately 1.47 million inhabitants.

A total of 5,141 km of water network is currently managed, consisting of 869 km of primary abstraction network and 4,272 km of distribution network, and a 2,625 km drainage system.

GORI currently manages 13 water sources, 116 wells, 206 tanks, 123 water pumping stations, 191 wastewater pumping stations and 11 waste treatment plants.

Operating Agreement between Campania Region, the Campania Water Authority and GORI

On 8 November 2018, an Operating Agreement was entered into between the Campania Region, the Campania Water Authority and GORI ("Operating Agreement") aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District area within a framework of economic-financial equilibrium of the management for its entire residual duration and the pursuit of the following related objectives: (i) GORI's assumption of the service's management and, by way of concession and in accordance with the provisions of the current Management Agreement of the

OTA IWS, of the “Regional Works” (i.e. several major infrastructures of the IWS falling within the territory of the Sarnese-Vesuvian District area, managed for a long period by the Campania Region and transferred by the latter to the operator GORI in the period between 2019 and 2021; hereinafter referred to as the “Regional Works”) and their consequent efficiency improvement, including the redeployment and efficient employment of the relevant personnel engaged in the IWS (furthermore, the transfer of the treatment plant of the Sorrento Peninsula district is also expected by 31 January 2022); (ii) approval by the Campania Region of plans for the payment in instalments of the debt accrued by the Company for the wholesale supplies (of water and of sewerage and treatment services) provided from 2013 onwards, and the concurrent resolution of the complex legal dispute that has arisen with respect to the payment for the regional “wholesale water” supplies and the regional “wastewater collection and purification” services; (iii) the creation of conditions to facilitate GORI’s access to the credit market; (iv) the commitment of the parties to the extent of their remit to restore/maintain the economic-financial equilibrium of the OTA IWS if the need should arise.

As a result, the Operating Agreement enabled the Company to enter into a long-term loan agreement with a pool of banks on 18 July 2019 with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029.

However, the Covid-19 health emergency has inevitably entailed, as is well known, significant socio-economic criticalities, for which the national government, the Campania Regional Council and also ARERA have adopted and are adopting a series of measures in order to mitigate the effects, above all — as far as it is of interest here — to provide greater protection to the users of the IWS (suspension of credit collection activities and suspension/interruption of service for defaulting users, as well as deferment of payments).

As a result of this situation, the Campania Region and GORI — also in order to ensure a socially sustainable tariff in this historical period and, at the same time, maintain the level of planned investments and, more generally, ensure the economic and financial balance of the management of the IWS of the Sarnese-Vesuvian District area — have determined to reschedule the payments of the sums due by GORI to the Region as debt for past wholesale supplies, reaching on 20 November 2020 the stipulation of an Additional Act to the Operating Agreement, with which the payment of the instalments due in the period from December 2020 to December 2021, amounting to approximately € 34.4 million, is postponed to 2028.

Similarly, as part of the preparation of the 2020÷2023 Regulatory Framework approved by the Campania Water Authority by means of Executive Committee Resolution no. 35 of 12 August 2021, the deferment of the instalments provided for in the repayment plans established by the Operating Agreement for the years 2022, 2023 and 2024 (and amounting in total to approximately € 34.4 million) to the years 2030, 2031 and 2032 is planned.

2020-2023 Regulatory Framework

On 12 August 2021, the Executive Committee of the Authority definitively approved the 2020-2023 Regulatory Framework for the operator GORI SpA with Resolution no. 35; also on 12 August 2021, the offices of the CWA then sent the regulatory framework to ARERA via the IT procedure. Under this CWA-approved regulatory framework, a Theta of 1 is provided for the years 2020, 2021 and 2023 and a Theta increase of 2.4 is provided for the year 2022.

In the resolution in question, the CWA also decided to postpone any further and final determination regarding possible corrective measures on the regulatory frameworks referring to previous periods not considered in the approved proposal, in order to wait for the measures that ARERA will have to take in execution of the provisions established by the ruling of the Council of State, Sixth Section, no. 5309/2021 of 13 July 2021; more specifically, the Council of State ordered ARERA to renew the preliminary investigation underlying the tariff determinations approved by the same ARERA with Resolution no. 104/2016/R/idr concerning the “approval for the purposes of establishing the value of adjustments in the context of the tariff method for the second regulatory period MTI-2, tariff provisions regarding the Sarnese-Vesuvian optimal territorial area, for the 2012-2015 period”, without prejudice to the fact that “renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry”.

Therefore, with Resolution no. 373/2021/R/idr of 7 September 2021 and the subsequent Resolution no. 18/2022/R/idr of 18 January 2022, ARERA started the procedure for the renewal of the aforementioned enquiry, at the end of which it must adopt the final measure by 15 March 2022, due to the extension of the term intervened with the aforementioned Resolution no. 18/2022/R/idr.

Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority (“CWA”) — at the specific request of the Authority and in response to the requirements of Council of State Sentence no. 5309/2021 — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of the EIC’s findings to date, one could justifiably exclude — at least in theory — any reduction in the tariff increases established by ARERA’s Resolution 104/2016/R/idr.

Revenue as at 31 December 2021, amounting to a total of € 208.4 million, was determined on the basis of the regulatory framework approved by the Campania Water Authority with Resolution 35/2021, in compliance with ARERA Resolution 580/2019/R/idr, highlighting that, in order to achieve financial balance in management of the Sarnese Vesuviano District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was determined, through regulatory postponement of the portion of costs exceeding the maximum limit to subsequent years, according to the provisions of the Regulatory Framework of reference.

Verification of parameters to identify the regulatory quadrant and the presence of OP_{new} relative to systematic changes in operator activities in the “presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to art. 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

It should also be noted that, for the calculation of the GRC at 31

December 2021, the constraint component relating to the Op_{social} supplementary water bonus has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, a specific deliberative act is actually missing, considering that “the disbursement of the supplementary water bonus is subject to any determinations that will be made, in this regard, by the Campania Water Board to maintain the facility provided in the 2018-2019 two-year period, identifying at the same time the number of beneficiaries entitled to the supplementary water bonus and the related access procedures”.

The purely regulatory component $CO_{\Delta Fanghi}$ was instead considered.

The $Opex_{QC}$ and $Opex_{QT}$ components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

Also in this case, given that ARERA did not approve the requests submitted for recognition of additional costs as an OP_{new} component for the new scope, the OP_{new} included in the calculation were quantified in the same manner as in previous years, and therefore based on the principle of full cost recovery, the costs effectively suffered for systems transferred at 31 December 2021 are covered, as demonstrated in the accounting documents.

At 31 December 2021, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs $Opex_{end}$ were defined based on what is established in art. 17.1 of Annex A to resolution ARERA 580/2019/R/ldr when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to art. 17.1 of resolution ARERA 580/2019/R/ldr, while calculation of estimated operating costs, using the statistical model found in art. 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million.

The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA resolution no. 580/2019/R/ldr which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2021, the tariff approved by the CWA by resolution no. 7 of

26 June 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the “Campania Region” operator and is equal to 0.192941 €/m³, with the application, both for the year 2020 and for the year 2021, of a theta equal to 1.

The pertinent cost at 31 December 2021 on the CO_{ws} relating to regional water supplies, according to the principle of full cost recovery, was approximately € 4.1 million, entered for the same amount in GRC and in the related costs.

As regards the CO_{ws} of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2021, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m³, (as a result of application of the ARERA 338/2015/R/ldr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by the regional plants.

Furthermore, in the determination of the GRC for the year ended 31 December 2021, the regulatory effects on the year 2020 deriving from the application of the regulatory framework approved by the CWA, with effect on the GRC for financial year 2020, were also taken into account, with the allocation to the “exceptional events” component for a total value of € 0.5 million.

It should be noted that the increase in costs incurred on Regional Works transferred by virtue of the completion of the transfer schedule, and taken into account in the relevant GRC as OP_{new} , was offset by lower costs incurred on electricity supplies and water purchases from the Campania Region; for this reason, despite the non-application of tariff increases since, as previously represented, the regulatory framework approved by the Campania Water Authority provides, for the year 2021, the application of a theta=1 tariff multiplier, the tariff revenue allowed for the recovery of tariff adjustments equal to € 4.9 million. In addition, it should be noted that, upon completion of the billing cycle with respect to the 2019 reference year, there was a residual accrual to be issued, amounting to € 8.4 million, which was allocated as an increase in tariff adjustments to be recovered.

Therefore, the tariff adjustments, as of 31 December 2021, amount to € 146.8 million.

A case pending before the Council of State concerning an appeal brought by the Municipalities of Angri (SA), Casalnuovo di Napoli (NA), Roccapiemonte (SA), Roccarainola (NA) and Scisciano (NA), for amendment of the sentence of the Regional Administrative Court of Lombardy, Milan office no. 1619/2018 of 29 June 2018, which rejected the appeal for the annulment of the ARERA resolution 104/2016/R/ldr of 10 March 2016 approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District

The Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy RAC Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding “the quantification of the tariffs”, because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid “quantification of the tariffs”, on the verification of

effective implementation of the Area Plan “... taking into account the need to verify the congruity of the costs with respect to the planned objectives also “in relation to the investments planned” (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...». The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr “while awaiting renewal of the enquiry proceeding” of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding “quantification of the tariffs” — “as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan” — without affecting the fact that “renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformative effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase cancelled herein were to be calculated in an amount of less than thirty percent)”. In this regard, it is specified that since the Campania Water Authority (i.e., the competent government authority) has not adopted the tariff structure for the 2020-2023 four-year period, ARERA gave notice to the Campania Water Authority on 2 July 2021 to “comply pursuant to paragraph 5.6 of resolution 580/2019/R/idr and art. 3, paragraph 1(f) of the Prime Ministerial Decree of 20 July 2012” and, therefore, to proceed, within 30 days from receipt of said memo, with the decisions and submissions within its remit with reference to the years 2020-2023, “noting that, after this deadline the operator’s request would be understood to have been accepted by the competent authority as the tariff structure, as a result of the provisions of art. 20 of Law no. 241/1990, and would be sent to the Authority for evaluation and approval in the subsequent 90 days.”. Following ruling no. 5309/2021 of the Council of State, ARERA gave another notice to the Campania Water Authority (which had communicated that it had “deferred the approval of the 2020-2023 regulatory scheme, as prepared by the offices, in order to verify the impact of the Ruling [of the Council of State] on the Regulatory scheme in question and pending the acquisition of specific clarifications [...]” from the Authority regarding the effects of said ruling) and the Operator — each within the scope of its own remit and “[...] pending the said renewal [of the supplementary investigation ordered from it by the Administrative Judge] [...]” — to proceed with adopting the 2020-2023 tariff structure “[...] while guaranteeing the economic and financial balance of the management [...]” and taking account “[...] (also for the purposes of verification of compliance with the price limit set by the regulation in force pro-tempore) of the effects of what was established by the aforementioned ruling [...]”, thus in terms of “price limits” of invoicing users. Therefore, ARERA — with Resolution 373/2021/R/idr of 7 September 2021 — has already initiated the procedure for compliance with Ruling no. 5309/2021 of

the Council of State, with the primary and express purpose of”... renewal of the preliminary enquiry — limited to the profiles referred to in the grounds [of Ruling no. 5309/2021] — underlying the tariff determinations referred to in Resolution 104/2016/R/idr”. More specifically, according to the provisions of the cited Resolution 373/2021/R/idr, the procedure in question must be concluded by ARERA “... by 31 December 2021”, a deadline subsequently extended to 15 March 2022 by ARERA Resolution 18/2022/R/idr of 18 January 2022. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority — at the specific request of the Authority — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of what has been ascertained by the CWA, it is already possible — at least logically — to exclude any curtailment to the tariff increases established by ARERA Resolution no. 104/2016/R/idr, given that the same Authority will also have to adopt the determinations required by the Council of State as a result of the aforementioned CWA verifications. Furthermore, within the scope of the investigations carried out, it emerges that no immediate restitution should be made, given that any reduction of 30% (if confirmed) would in any case be absorbed by the tariff adjustments accrued by the Operator GORI and still open, as confirmed by the resolution of the Executive Committee of the CWA no. 35 of 12 August 2021. At this stage, it is therefore appropriate to await the measures that the Authority will adopt by the deadline (15.03.2022) in execution of Ruling no. 5309/2021 of the Council of State.

In conclusion, the Company must wait for the decisions to be taken by ARERA, so — on the basis of the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

Cases pending before the Regional Administrative Court of Campania, Naples office, initiated with an appeal filed by the Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA), for the annulment of the resolutions of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 19/2016 of 08/08/2016 (with which the preparation of the 2016-2019 Regulatory Framework of the Sarnese-Vesuvian District area of the Campania Region was approved pursuant to ARERA Resolution 664/2015/R/idr and subsequent amendments and additions) and no. 39/2018 of 17/07/2018 (with which the update of said Regulatory Framework was approved)

The Municipalities in question have appealed before the RAC of Campania, Naples office, the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 19/2016 of 8 August 2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17 July 2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution no. 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, no. 1619 of 29 June 2018 which confirmed the legitimacy

of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. In this regard, following the aforementioned Ruling no. 5309 of the Council of State of 13 July 2021, the Regional Administrative Court – deeming that there is a prejudicial relationship between the contested acts and the outcome of the appeal proceedings – ordered that the proceedings continue by submitting a new request to set a hearing once the aforementioned Ruling no. 5309/2021 of the Council of State has become final.

Case pending before the Council of State regarding appeal brought by GORI for the reform of the rulings of the Regional Administrative Court of Campania, Naples office, Nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015 relating to the recognition of prior year items prior to 2012 for tariff adjustments approved by the granting authority, the Sarnese-Vesuvian Area Authority (the predecessor of the Campania Water Authority)

The Company charged user accounts the 2014 tariff component, referred to as “Recovery of items prior to 2012”, in accordance with the provisions of the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 43 of 30 June 2014, as amended by Resolution no. 46 of 3 July 2014 (tariff provision in turn adopted pursuant to art. 31 of Annex A of AEEGSI Resolution no. 643/2013/R/idr. and on the basis of the resolution of the Assembly of Mayors of the Sarnese-Vesuvian Area Authority no. 5 of 27 October 2012). Various parties, including Municipalities, associations and user accounts proposed legal action to formally request the annulment, with precautionary suspension, of the resolutions in question, while in a civil context annulment was requested of the invoices containing the adjustment amount. Specifically, it is noted that 7 appeals were filed with the Regional Administrative Court of Campania, in Naples and 4 extraordinary appeals with the Head of State. Furthermore, the Federconsumatori Campania association challenged Resolution no. 14 of 29 June 2015 of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority, and the Municipality of Angri and 11 other Municipalities of OTA 3 challenged the Resolution of the Commissioner no. 15 of 30 June 2015 with additional grounds. Section 1 of the Regional Administrative Court of Campania - Naples, on 15/ October 2015, issued sentences nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015, accepting the appeals presented by the Federconsumatori Campania association and by the Municipalities of Angri, Naples and Nocera Inferiore, declared annulment of commissioner Resolutions no. 43 of 30 June 2014 and no. 46 of 03 July 2014 regarding the determination and approval of tariff adjustments for the period 2003-2011 and the collection methods. Specifically, the Regional Administrative Court maintained that these resolutions were adopted in complete absence of validity, given that the Extraordinary Commissioner, from 21 July 2013 (and, therefore, six months after his appointment on 21/01/2013), would have no longer been in office and, therefore, would no longer held powers from this date. The Regional Administrative Court did not therefore comment on the legitimacy or lack thereof of the tariff adjustments, limiting itself to identifying the lack of power of the Commissioner and consequent annulment of the provisions established after 21/07/2015, on the basis of an interpretation of the regulations which was not shared by the Area Authority and GORI. In any case, with the new regional law no. 15 of 2 December 2015, any doubt regarding interpretation was eliminated, considering that art. 21, paragraph 9 clarified, also for the purposes of correct interpretation of the regulations indicated in the Regional Administrative Court judgement,

that: “the powers of the Commissioners appointed for the liquidation of the abolished Area Authorities and for performance of the functions described in Italian Legislative Decree 152/2006, in compliance with the content of art. 1, paragraph 137 of regional law no. 5 of 6 May 2013 (Provisions for the preparation of the 2013 annual financial statements and 2013-2015 statements of the Campania Region – 2013 regional financial law) cease to apply after six months from the date of entry into force of this law”. Furthermore, paragraph 9-bis of art. 21 established that “When this law is first implemented, the acts adopted by the Commissioners appointed for the liquidation of the abolished Area Authorities in tariff matters and tariff adjustments in implementation of AEEGSI resolution no. 643/2013 and for which appeals before administrative courts are pending, are ineffective until the definitive decisions adopted by the Campania Water Authority to be constituted, having consulted the competent District Council”: in other words, having ascertained as a result of paragraph 9 of art. 21 the powers of the Extraordinary Commissioner of the Sarnese Vesuvian Area Authority to have legitimately adopted the measures regarding tariff adjustments, it has nevertheless been provided that for said tariff adjustments the Campania Water Authority, as the new granting/regulatory authority and assignee of the Extraordinary Commissioner, must make new and definitive decisions. And in fact, as far as we know, the Campania Water Authority has completed its preliminary enquiry (among other things in the sense of recognising that the previous items for tariff adjustments prior to 2012 have been correctly determined) on the basis of which its competent bodies will have to take the required measures. Consequently, due to the latter circumstance and the fact that it is also necessary to wait for the ARERA measures at the outcome of the procedure initiated with the aforementioned Resolution 373/2021/R/idr, the Council of State postponed the public hearing on the merits to 16 June 2022.

Refer to the entire contents of the paragraph “Service Concession Report” also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

Gesesa

The Company operates in OTA 1 Calore Irpino which promotes and develops the initiative for the Management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. Currently, the Authority – governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 – has not yet assigned the management of the Integrated Water Service (aqueduct, sewerage and treatment) to a single operator. Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 120,922 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,247, for which 2021 consumption has been estimated at about 7.8 million cubic metres of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users.

One of the company’s objectives was to consolidate, expand and increase the efficiency in particular of the sewerage and treatment service. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the treatment plants and the preliminary design of those not yet present in the territory.

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 RGNR, which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to art. 356 of the Criminal Code and the crime of environmental pollution, pursuant to art. 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, already begun by the Judicial Administrator.

After discussions between the Company and the Judicial Administration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. During the meeting, held on 4 November 2021, of the Technical Advisory Committee, set up to manage the activities envisaged by the agreement, with the Judicial Administrator, the time schedule of the necessary interventions was redetermined with an increase of approximately 15% in the cost of the works that brought the maximum estimate to approximately € 800 thousand. Participants in the meeting also took note of the slowdown in the execution of the works, largely due to delays in the supply of materials encountered due to the Covid emergency, and recalculated the end date of the redevelopment works by extending it to 31 March 2022. With regard to the 231 proceedings against the company, it should be pointed out that, on 11 November 2021, the Examining Judge, at the request of the C.T. and the Public Prosecutor, ordered the seizure of money, directly traceable to the profit of the crime at the company's disposal and the seizure, with the aim of confiscation, of fungible assets, property and anything else of patrimonial value at the Company's disposal, up to a value of over € 78,000,000, with the appointment of a Judicial Administrator. Gesesa immediately appealed against this measure to the Judicial Review Court. The application for review was fully granted by the Court on 21 December 2021 and, consequently, the preventive seizure decree was cancelled, resulting in the release of the assets and their subsequent return to the Company.

The main consequence of this event was a sharp increase in attention on the part of the lending banks and, in the immediate term, the suspension of the signing of a significant line of credit (approx-

mately € 1,500,000) and the non-renewal of the line of advances on water bill collections maturing on 20 December 2021. In order to meet this commitment, the Company requested a loan from the shareholder, Acea Molise, which was disbursed in early January 2022.

It is hoped that the release of the seizure will enable the company to resume discussions with the two banks regarding the two financial transactions.

With regard to any risks concerning the final outcome of the proceedings 231, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings. In any case, the Company is carrying out all possible collaboration activities with the Judicial Authorities.

With regard to the biennial update of the 2018-2019 tariffs, the Company prepared the final accounts referring to the 2016 and 2017 years and the Works Programme for the preparation of the tariff revision proposal with the definition of the GRCs and the Theta for the years 2018-2019, revising the investment planning for the years 2018-2019, also incorporating the results of the inspection audit of 16-20 October 2017 contained in the ARERA Determination no. DSAI/26/2018/idr, dated 10 April 2018, having as its object the initiation of a proceeding for the adoption of sanctioning and prescriptive measures regarding the tariff regulation of the Integrated Water Service. With regard to the sanctioning proceedings under DSAI/26/2018/idr, in October 2021 the Authority sent a request for information on the activities put in place in relation to the reimbursements to be made to users and the other findings of the proceedings.

In the feedback, the Company reported on the status of the reimbursements made, expecting to conclude the task within 6 months. For other points, it is highlighted that in the biennial tariff update proposal for 2016/2019, pursuant to resolution 918/2017, the Company implemented the results of the ARERA audit contained in determination DSAI/26/2018/idr, making the necessary changes to the previous tariff structure for 2016-2017. This proposal is under approval by the CWA.

Following this correspondence, in January 2022, ARERA received the results of the preliminary investigation, in which the Authority pointed out that some points of the assessment had been archived and highlighted that the completion of the prescribed reimbursement activities would be considered favourably when closing the proceedings. In this regard, in February, the Company completed its reimbursement to all users and sent a memorandum of reply to the Authority, highlighting this and reiterating that, for the other points covered by the proceedings, it is still waiting for the approval of the two-yearly MTI2 update. On the basis of these considerations, given that all the points of the sanctioning procedure have been acknowledged, the Company has not deemed it necessary to make any provision for risks. The 2018-2019 tariff proposal is awaiting approval by the CWA, which in any case, following examination of the documentation produced, has deemed it consistent with the regulatory framework approved by ARERA.

Following the Deliberation of 27 December 2019 580/2019/R/idr, the data collection activity for the preparation of the tariff proposal for the period covered by the resolution (2020-2023) was initiated

in agreement with the CWA and data validation was carried out in July 2020. In 2020, the tariff proposal for the 2020/2023 period was being analysed and evaluated by the CWA, with which there were continuous relations for the final definition of the economic/financial data and the Action Plan. In view of the CWA's inaction in defining and sending the two tariff proposals to ARERA for approval, at the end of 2020 and on 29 December 2020 exactly, the Company requested ARERA to exercise substitute powers to approve the 2018-19 (MTI-2) and 2020-2023 (MTI-3) update tariff proposals and on 5 January 2021, following the opening of the portal by the Authority, all related documentation was sent to ARERA electronically.

As a result of the above, revenues were updated and recorded in 2021 on the basis of the new Guaranteed Revenue Constraint ("GRC") envisaged for 2021 in the calculation tool under the new MTI-3 method for the 2020/2023 period, currently awaiting approval by ARERA.

Acea Molise

Acea Molise Srl manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
 - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA 2 Lazio);
 - operation of the purification plant in the Municipality of Valmontone (OTA 2 Lazio).

The Termoli and Campagnano concessions expired at the end of 2021 and were extended by the authorities to 30 June 2022 for the Termoli municipality and to 31 December 2022 for the Campagnano municipality, for the time necessary to activate the procedures for takeover and handover to the new Manager.

The Service Contract with the Municipality of Valmontone expires in April 2022.

Since 1993, the company has managed the water service in the **Municipality of Termoli** and, since 1999, also the urban waste water purification service, by virtue of the relevant agreements no. 170 of 30 June 1993 and no. 778 of 18 January 1999.

At the request of the Manager, Acea Molise, in 2019, the said Conventions were revised by the Municipality of Termoli, with the aim of standardising the management of the entire water sector in the city in a single document, and of adapting the contractual regulatory framework to the changes in the sector over time, in particular, to the standard convention approved by ARERA with Resolution No. 656/2015/R/ldr of 23 December 2015.

On 17 December 2019, the Municipality of Termoli, with Council Resolution No. 299, approved the new revised Management Agreement according to the scheme of the ARERA standard Agreement.

Finally, in June 2021, the senior management of Acea Molise Srl favourably considered the opportunity to prepare and submit to the Municipality of Termoli (CB), as promoter, a "Finance Project for the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli". The Company's administrative and technical departments then prepared the Finance Project, and it was officially submitted to the Termoli Municipality on 1 October 2021. Subsequently, on 9 December 2021, by means of Council Resolution no. 276, the Municipality of Termoli positively assessed the submitted Private Finance Project, declaring

it to be of public interest. Under the conditions described, the Integrated Water Service carried out by Acea Molise, which expires on 31 December 2021, will be technically extended for the time necessary to carry out the relevant tender. For the purpose of business continuity, it is recalled that in the event that more economically advantageous tenders are submitted during the tender, Acea Molise, as promoter of the Project, has the right of pre-emption.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/ldr ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2021 financial statements represent the GRC value recognised to the operator.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. On 28 September 2021 with Resolution no. 404/2021/R/idr, ARERA approved this proposal. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020-2023 were also approved. The maximum amount of the residual portion of the adjustment components, as per art. 27 of Annex A of Resolution 580/2019/R/idr, provided for in the tariff after 2023, totalling € 2,895,690, was also indicated.

As is known, with Resolution 639/2021, ARERA recalculated the WACC for the years 2022 and 2023. For the same level of investment, this will result in a decrease in the Financial and Tax Charges recognised and this decrease is partially offset by the revaluation of the RAB due to the deflator.

In relation to the recognition referred to in art. 29-bis Annex A "Other regulations for adjustments in compliance with the rulings of the Council of State concerning the tariff calculation rules relating to the years 2012 and 2013 as well as to the period from 21 July to 31 December 2011", for Acque they will have effect in relation to point "d" concerning the recalculation of the remuneration of capital and point 27-bis2, relating to recognition of the financial burden Kd on adjustments with expected positive effects.

Furthermore, in relation to the average defined cost for electricity, Acque appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.

Finally, it should be noted that as of 1 January 2022, the Company will take over from Acque Toscane in the management of the water service in the municipalities of Montecatini and Ponte Buggianese.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

With regard to the new tariff structure, with Resolution no. 29/2016 of 5 October 2016 the AIT approved the tariffs for the second 2016-2019 regulatory period (MTI-2) pursuant to the ARERA Resolution no. 664/2015. With resolution 687/2017R/idr ARERA approved the tariffs proposed by the Tuscany Water Authority on 12 October 2017. Following the approval of the new tariff structure envisaged by the ARERA Resolution no. 665/2017/R/idr (TICSI), Publiacqua has billed according to the new structure since August. Finally, with Resolution no. 24 of 7 December 2018 the AGB approved the 2018-2019 tariffs and at the same time approved extension of the Company's concession until 2024. The Company then began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank loan aimed in part at extinguishing existing financial exposures and in part at supporting the investments

provided for in the new approved Works Programme. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet. Following the offers received, on 31 July 2019 the Company signed the new loan for € 140.0 million divided among 5 lending banks. The **Base Line** must be used for the full repayment of the existing Loan stipulated on 30 March 2016 with BNL and Banca Intesa for the payment of the ancillary costs of the new Loan and for the requirements related to the realisation of the investments envisaged in the EFP, while the **Investment Line** will be used to fully cover the requirements for further investments envisaged in the EFP. Among the conditions precedent to the disbursement of the loan, the lending banks have requested ARERA's approval of the new Tariff Plan, including the extension of the concession. On 6 February 2020, ARERA sent a communication on the tariff provisions for the Integrated Water Service for the two-year period 2018-2019 confirming the validity of the tariff determinations adopted (and consequently the approval of Publiacqua's 2018-2024 Economic and Financial Plan), for which the suspensive condition could be exceeded after the end of the year. It is noted that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation. On 16 February 2021, with Resolution no. 59/2021/R/idr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/idr and related Annex A, containing "2020-2023 Water Tariff Method MTI-3".

On 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.

With reference to the relations with the Tuscan Water Authority, it is noted that:

- with resolution of the Board of Directors no. 20/2021, the Single Supply Regulation for the integrated water service was approved, which will come into force as of 1 July 2022. The drafting of the Addendum, technical attachments, and ancillary services pricing, which will complete the Single Regulation documentation, remains in process and should be completed by the first half of 2022;
- with Meeting Resolution no. 25/2021, the regional regulation on how to utilise the number of family members of direct and indirect residential users for tariff purposes has been approved. This regulation governs the procedures for updating the data of the family members for the correct application of the tariff linked to per capita consumption for resident domestic users.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the

years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/idr of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 111.8 million and a share of FoNI equal to € 11.1 million.

Umbra Acque

On 26 November 2007, Acea was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA 1 Perugia for selection of the private minority industrial partner of Umbra Acque SpA (expiry of the concession on 31 December 2027). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

The tariff applied to users for the year 2019 is the rate applied to users was determined by Resolution No. 489 2018/R/idr of 27 September 2018 with which ARERA approved the updating of tariff arrangements for the two-year period 2018-2019, previously proposed by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018. Finally, we inform you that on 29 December 2018 the request to extend the duration of the assignment to 31 December 2031 pursuant to art. 5.2 and 5.3 of the Convention and Resolution 656/2015/R/idr was formally sent to AURI and ARERA. It should also be noted that the determination of the new tariff plan for the 2020-2023 regulatory period (MTI-3), approved by ARERA with Resolution 36/2021/R/idr on 2 February 2021, includes the outcome of the request to extend the duration of the contract from 4 March 2028 to 31 December 2031 and the acquisition of the new structured loan linked to a bankable regulatory EFP could be significantly reflected in the company's operations, and therefore in the pursuit of the Company's institutional objectives. It should also be noted that following Resolution no. 639/2021/R/idr, ARERA established the criteria for the two-yearly update (2022-2023) of tariff calculations. In the coming months, the Company will therefore be called upon to participate with AURI in the calculation of tariffs and the related plan of operations for the next two years.

As of 31 December 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 an applicable theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.85 at 31 December 2021. The num-

ber of users served was approximately 234 thousand, substantially unchanged compared to the previous year. In terms of volumes, as of 31 December 2021, approximately 28.2 million cubic metres of water had been invoiced (measured and estimated), up from the previous year (+2.2%). The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031.

Geal

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with Resolution no. 726 of 26 October 2017 and approved the related update with Resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the Opex_{QT} component for € 180,000/year. Regarding the four-year period 2020-2023, on the basis of the rules established by ARERA Resolution no. 580 of 27 December 2019, GEAL provided all documentation required for preparation of the new plan in the initial months of 2020, in line with the deadlines set by the AIT. On the basis of this data and the verifications carried out jointly by the Company and ARERA, the tariff provisions for the years 2020-2023 was prepared, and subsequently approved with AIT Resolution no. 4 of 28 September 2020. The dynamics of tariff increases planned for the four-year period 2020-2023 are the same as those approved by ARERA in 2018, even though the new rules of the MIT-3 have imposed new limits on operators. We can note that with ARERA resolution no. 265 of 22 June 2021, the tariff structure for 2020-2023 was approved. In particular, this resolution confirmed the increases envisaged by AIT resolution no. 4 of 28 September 2020, equal to 6.2% for each of the 4 years. Since the ARERA resolution of 22 June 2021 confirmed the content of the previous AIT act, there was continuity in the calculation of the tariff for the entire year. It should be noted that there are eight types of use, including that relating to domestic use, differentiated between residents, non-residents and condominiums, and that the variable portion of the domestic tariff for residents is defined on the basis of the actual number of members of the household of each user.

Servizio Idrico Integrato Terni Scpa

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria no. 2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no.4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. There are about 121 thousand users served and the quantity of water supplied during 2021 is 12.8 million cubic meters.

As mentioned, on 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni SpA to the shareholder Umbriadue Scarl. The changes also enabled full consolidation of SII in the Acea Group financial statements. On 10 March 2021, AURI approved the new version of the Service Charter, updated pursuant to ARERA Resolutions no. 655/2015 (Contractual Quality), no. 218/2016 (Regulation of the Measurement Service), no. 917/2017 (Technical Quality), no. 311/2019/R/idr (REMSI) and no. 547/2019/R/idr (Short Prescription). Finally, on 22 June 2021, the AURI approved the regulation for the application of the supplementary water bonus. During the second half of the year, the Company made the necessary IT developments and will apply them retroactively from the first billing cycle of 2022. In September, the company submitted a request to AURI to reschedule its investments in order to intercept the deviations that had occurred up until then between the planning and the realised results. After various discussions and the realignment

of the amount of investments for extraordinary maintenance to average values identified by AURI through a benchmark analysis, with Assembly resolution No. 20 of 21 December 2021, the AGB approved the remodulation of investments. Lastly, it should be noted that in May the Company submitted a waiver request to the financing banks with a change in the financial parameters established in the loan agreement signed on 16 November 2020. The Institutions approved the Company's proposal and its updated EFP, which, compared to the originally funded EFP, incorporated the new tariff schedule from MTI-3. As a consequence, the Company pulled the remaining part of the loan of € 5 million. With the closure of the disbursement in July in accordance with contractual provisions, the Company signed two derivative contracts to hedge interest rate risk for the equivalent of € 16.65 million.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and 2020-2023 regulatory period.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the $Opex_{QC}$. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the $Opex_{QC}$. Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with $Opex_{QC}$ as of 2017. Approval by ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA warned the EIC on 2 July 2021, and with a resolution of 12 August 2021 it approved the 2020-2023 tariff proposal.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the $Opex_{QC}$. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised $Opex_{QC}$) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA 1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/idr of 25 May 2021.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{OC}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018.	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.
SII Terni Scpa	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

For more details on the matter, see the paragraph "Service Concession Report".

REVENUE FROM THE INTEGRATED WATER SERVICE

The table below indicates for each Company in the Water Segment the amount of revenue in 2021 valued on the basis of the new MTI-3 Tariff Method. The data also include the adjustments of passing items and the FoNI component.

Company	Revenue from the IWS (pro quota values in € million)	FoNI (pro quota values in € million)
Acea Ato2	677.6	FNI = 56.1 $AMM_{FoNI} = 13.4$
Acea Ato5	80.8	FNI = 3.9 $AMM_{FoNI} = 5.2$
GORI	209.4	$AMM_{FoNI} = 4.4$
Acque	71.2	-
Publiacqua	97.3	FNI = 2.7 $AMM_{FoNI} = 10.4$
AdF	111.8	$AMM_{FoNI} = 11.1$
Gesesa	12.9	$AMM_{FoNI} = 0.2$
Geal	8.6	$AMM_{FoNI} = 1.1$
Acea Molise	5.4	-
SII	38.0	$AMM_{FoNI} = 1.1$
Umbra Acque	30.7	$AMM_{FoNI} = 1.2$

ENERGY INFRASTRUCTURE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Electricity distributed	GWh	9,172	9,096	76	0.8%
Number of customers	no./1,000	1,647	1,644	4	0.2%
Km of Grid (MV/LV)	km	31,160	30,785	375	1.2%
2G Metering Groups	no.	316,176	59,275	256,901	n.s.

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	626.0	618.7	7.3	1.2%
Costs	254.4	251.1	3.3	1.3%
EBITDA	371.6	367.6	4.1	1.1%
Operating profit/(loss) (EBIT)	217.4	209.1	8.3	4.0%
Average workforce	1,275	1,269	6	0.5%
Capex	274.5	286.2	(11.7)	(4.1%)
Net Financial Position	1,583.9	1,342.5	241.5	18.0%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Energy Infrastructure Segment	371.6	367.6	4.1	1.1%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	29.6%	31.8%	(2.2 p.p.)	

The EBITDA for the segment at 31 December 2021 was € 371.6 million, an increase of € 4.1 million compared to 31 December 2020. EBITDA of **areti** increased by € 3.0 million as a result, among other things, of the margin deriving from the Open Fiber order (+€ 1.5 million), the effects of the resilience plan (+€ 2.2 million) and lower operating costs (-€ 1.7 million), partly offset by the effects deriving from energy balancing (-€ 2.1 million); as at 31 December 2021 areti distributed 9,172 GWh to end customers, slightly up on the previous year.

The EBITDA of **public lighting**, a negative € 3.4 million, recorded a worsening of € 1.0 million compared to 31 December 2020 due to lower revenues, mainly due to lack of authorisations for new constructions.

The average number of employees increased slightly compared to the previous year (+6 employees).

The operating result was primarily affected by lower amortisation and write-downs for the period (-€ 1.2 million), in line with lower investments compared with the previous year, and lower write-downs (-€ 1.9 million).

Investments amounted to € 274.5 million, recording a decrease of € 11.7 million and refer mainly to the expansion and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control

equipment as part of the network “Adequacy and Safety” and “Innovation and Digitisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems.

The net financial position stood at € 1,583.9 million at 31 December 2021, an increase of € 241.5 million compared with 31 December 2020, due in part to the growing volume of investments, the dynamics of operating cash flow and the impact of energy items due to regulatory effects (reduction in system charges).

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 31 December 2021 the total receivables accrued by the Company amounted to € 69 million, including billed interest. Such interest was excluded from the mechanism for the reinstatement of general charges by Resolution 300/2019/R/eel and subsequently readmitted to the mechanism by Resolution 495/2019/R/eel.

With Circular no. 2/2020/elt of 30 January 2020, CSEA prepared a method for adding the applications already submitted in order to include the portion relating to interest on arrears invoiced in accordance with the initial provisions of art. 1.4, letter a), number iv) of Resolution 50/2018//R/eel. On 18 February 2020, a formal request to participate in the mechanism for reimbursing the default interest billed was formally submitted and the amount requested was received equal to € 2.9 million on 30 March 2020.

On 27 December 2019 Resolution 568/2019/R/eel was also issued, which provides for the reimbursement of amounts due not otherwise recoverable relative to network services equivalent to the model for the recognition of uncollected general system charges. This mechanism was confirmed with Resolution 461/2020/R/eel published on 19/11/2020, which better defined the methods for access to the reimbursement request. This Resolution included recognition of tariff fees for electricity metering, distribution and transmission services, the UC3 and UC6 tariff components and certain fees for specific services, regarding invoices expired by at least 12 months, net of a 10% deductible.

The Authority set date of 30 June 2021 as the limit for presentation of applications for admission to the mechanism, nevertheless offering DSOs the option, to request a 50% advance of the reimbursement amount due with requests to be sent by 7 December 2020 and payment by 31 December 2020. Areti SpA therefore decided to take advantage of this option, sending a request for participation on 4 December 2020. The total amount for network services for Gala for network tariffs uncollected is approximately € 11.0 million, while the amount paid by CSEA with value date 30 December 2020 as payment of balance was € 5.4 million. On 30 June 2021, the request was completed to settle the shortfall due to the non-collection of the network services tariffs; as established by art. 2.5 of Resolution 461/2020/R/eel, the CSEA, having approved the application for admission sent by areti, recognised with value date of 28 September 2021, the amount of € 5.1 million as the balance of the uncollected Gala network tariffs.

In July 2021, the additional 2021 request regarding the reinstatement of the general system charges was also submitted to CSEA, as provided for in CSEA Circular no. 13/2021/elt. As a result of the collection received from Gala in June 2021, following the Court of Rome ruling no. 8096/2021, areti has taken steps to make the calculations for the restitution of the general system charges collected in the previous requests. These calculations resulted in the amount to be repaid to CSEA, equal to approximately € 3.2 million, being paid at the end of October 2021.

Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses accrued over time, the reduction in the value of the Areti receivable from Gala was prudentially determined.

From the regulatory perspective, with the aforementioned Resolution no. 32/2021/R/eel of 2 February 2021 published on 5 February 2021, ARERA made provisions related to the mechanism for recognising, in favour of sellers, the general system charges not collected from end customers and already paid to the distribution companies, with the strategic aim of improving the risk management tools through the implementation of measures intended, on the one hand, to guarantee the system and end customers with respect to the economic conse-

quences of possible sales operator default and, on the other, to ensure the solidity and reliability of the processes involving them, keeping their exposure under control and contained with evolution of the minimum guarantee systems and the recovery mechanisms for unpaid payments of sellers with particular reference to the portions related to general system charges in the electricity sector.

The measure, which concluded the procedure to comply with the rulings of the aforementioned administrative courts, follows the guidelines expressed in the consultation document no. 445/2020/R/eel and establishes a **mechanism for recognising**, in favour of sellers, the general system charges not collected from defaulting end customers and in any case already paid by the sellers to the distribution companies, by providing for their payment by the CSEA. Furthermore, the measure supplemented the rules on guarantees in the transport contracts, regarding their sizing with reference to general system charges.

The Mechanism covers the period between 2016 (entry into force of the Standard Network Code) and any adoption of specific measures, including legislation, aimed at a different management of the collection chain of general system charges and the related system of guarantees.

Parties that benefit from it are therefore users of the transport system provided by the distribution companies, holders of existing or terminated transport contracts which, as sellers, are the only contractual counterparty with the obligation to pay general system charges to the distribution companies (pursuant to art. 3, paragraph 11 of Italian Legislative Decree 79/99).

At the same time, the measure continues to require that the distribution companies have the right to request (and the sellers, users of the transport service, must provide): (a) suitable guarantee of payment of the entire fee for the service, including the part related to general system charges, albeit at a conveniently reduced amount so that it represents the best estimate of the amounts normally collected by the sellers from their end customers; (b) payment of the total amount of the fee invoiced and therefore also any portion of the part related to any general system charges not (yet) collected, now without prejudice to the benefit of the reimbursement mechanism envisaged by Resolution 32/2021.

Resolution 32/2021 therefore confirmed:

- the obligation, arising from primary legislation, for the seller to pay in full the system charges invoiced by the distributor, which in turn has the obligation to repay them in full to GSE and CSEA;
- the right of the seller, limited to the charges not collected from end customers but paid to the distributor, to access the offsetting mechanism set out by Resolution no. 32/2021;
- the regulatory framework previously envisaged with Resolution 109/2017, including the obligation for the seller to provide the guarantee in favour of the distributor, according to the parameters indicated herein related to the best estimate of the amounts normally collected from end customers;
- recognition of the right of the distributor to govern contractually with the seller a suitable guarantee clause for compliance with the seller's obligations;
- recognition of the right to access the offsetting mechanism in favour of the seller as of 2016, including in the case of a contract terminated by the distributor due to non-compliance (of said seller);
- the obligation of the seller to collect system charges from the end users and, with the professional due diligence pursuant to art. 1176 of the Italian Civil Code, to recover arrears from end

customers, being the only party designated to interact with the latter, in fact and in law.

Finally, it is noted that, with notice sent to Areti as a counterparty on 2 April 2021, **Gala SpA** filed an **appeal** before the Council of State in order to: (i) ascertain and penalise the alleged non-compliance with rulings of the Council of State nos. 5619/2017 and 5620/2017 of 30 November 2017 and, at the same time, (ii) partially annul Resolution 32/2021/R/eel of 2 February 2021 (on the reimbursement of traders in case of failure to collect the GSCs) due to circumvention of the aforesaid ruling. In summary, Gala considers that the aforesaid rulings of the Council of State – which, by partially annulling the network code, confirmed that system charges apply to end customers (as parties obligated to pay them) and reiterated the absence of the power of the Authority to transfer onto the Traders the obligation to pay the system charges (as deriving from the imposition of guarantees to cover said charges, in addition to the right of the distributors to terminate the contract with the Traders in the event of failure to pay said system charges) – have not been adequately met by ARERA with the subsequent administrative measures issued, the last of which is Resolution no. 32 mentioned, which reiterates the technicalities already omitted, thus breaching the aforesaid rulings.

Given the unusual procedural motion – Resolution no. 32/2021 was not appealed by Gala before the Regional Administrative Court before the deadline and the part appealed before the Council of State was not indicative of new elements with respect to the previous resolutions on the matter – a rejection due to lack of grounds is foreseeable; nevertheless, the intention of Gala could be to obtain the *obiter dicta* for use in the pending civil cases.

On 1 July 2021 a hearing in closed session was held, after which the Council of State, with an enquiry order, ordered a supplement to the discussions in relation to the parties of the cases defined by the compliant judgements not evoked, namely Green Network SpA, Utilitalia, Aiget - Associazione Italiana di Grossisti e Trader, Esperia SpA and the Bankruptcy Esperia SpA in Liquidation; the Council of State also asked ARERA to clarify the calculation procedure followed for determining the General System Charges normally collected. The case was adjourned to the closed session of 21 December 2021. With an order communicated on 27 December 2021, Gala was put back on time in order to renotify the integration of the cross-examination of Utilitalia; at the same time, the case was referred to Section II for the establishment of the council chamber for discussion of the appeal.

In this regard, it is useful to specify that, from a survey carried out on the portal of the administrative court, three appeals are still pending for the aforesaid Resolution no. 32/2021, one of which (592/2021) filed by the association of traders and resellers “ARTE”. The appeal was entrusted to the same legal expert of Gala and the request addressed to the administrative judge is the same one formulated in the aforementioned compliance proceedings.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the “2G Digital Meter” project was launched by Areti with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA Resolution 306/2019/R/eel.

Following the selection procedure of the supplier of the field

equipment (meters and concentrators) and the related Central Purchasing System (Management Centre) concluded in September 2019 with the publication of the award and subsequent submission to ARERA of the Request for Authorisation to Recognise Investments (RARI), which were followed in 2020 by preliminary activities related among other things to the assessment of the suitable actions to counter the spread of the Covid-19 epidemic, ARERA with resolution no. 293/2020 of 28/7/2020 approved Areti’s PMS2 (commissioning plan of 2G Metering system), as per the latest revision presented on 14 July 2020 and set the date for initiation of Areti’s PMS2 as 1 January 2020, admitting the investments regarding the 2G smart-metering system of Areti to the scheme for specific recognition of capital costs, starting from the same date.

Considering the difficulties linked to Covid-19 and in line with the restrictions and operational limits to contain the spread of the virus, installation continued of the concentrators and 2G meters, launched in the second half of 2020. On 31 December 2021, the number of installations performed was approximately 10,800 concentrators and 374,000 meters, in line with the targets set in the RARI.

To ensure compliance with the new measurement processes and the operation of the new technology (concentrators and electronic meters), a complex evolution of the areti application map was required. In addition to the introduction and integration of a new system for remote management and remote reading of the second-generation field equipment (Beat Suite), it was necessary to make changes to the main applications related to logistics and warehouse processes, field processes (replacement of the concentrator and first generation meter), commercial systems (development and management of the PDFM system), integration systems (middleware) and WFM and mobile systems, in addition to the development of a new metering acquisition, validation and publication system.

In particular, the progress of the development activities of the application map allowed for the release of all the functions planned for the wave date of December 10. Further milestones will follow in the course of 2022 to release integration and optimisation features in addition to what has already been implemented in the new application map.

Since May, the new corporate website was published online containing a large section dedicated to the new 2G digital meter.

The activities dedicated to the refinement of the new operational and managerial reporting continued, as did the adjustment of the existing reporting. At the same time, data are being made available for the analytics systems with a view to monitoring the new processes for measurement and mitigation of risks to the regularity of the metering service.

Areti’s single EData Lake

In 2021, the analysis environment of data for the distribution business was further extended. The calculation infrastructure operates in the Google Cloud environment. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management.

As for data integration, to date the following are available:

- 1G remote management system, both for Landis and GME meters;
- Company Electric GIS mapping system;
- Company IP GIS mapping system;

- Integrated Low Voltage Network Survey in all tabular areas;
- SAP (IS-U and MDM);
- TESS system (commercial quality);
- Radar/Meteo weather data recorded and forecasts;
- SAP PM;
- SAP MM;
- SAP IS-U PDFM;
- Remote management system;
- Remote control system: load profiles at 10 minutes;
- ORBT history (selection of several tabular areas).

Network diagnostics and monitoring project

The project is divided into three main lines of action:

- Primary station diagnostics;
- Substation diagnostics;
- Overhead line diagnostics.

1. Primary station diagnostics with UGV Drones

The project involves the development of an UGV (Unmanned Ground Vehicle) prototype for autonomous or remotely piloted inspection of primary stations. The Autonomous UGV drone has sensors for detecting environmental parameters (temperature sensors, partial discharges, cameras) and sensors for moving autonomously in the environment (lidar, GPS and cameras). It executes inspection plans independently and can be remotely controlled for targeted security checks and operations. The system may also transmit inspection information to an operator located at a location other than the place of operation.

In 2021, the construction and testing of the Autonomous drone charging station was completed, where the drone is able to park and charge autonomously at the end of missions. Developments related to the control room and improvements to on-board sensor management resulting from the initial experiment are being released.

2. Substation diagnostics (CS-Plus)

The project involves testing an integrated IoT solution for remote monitoring, diagnostics and management services: e.g., environmental parameters, digital access management, etc.

In 2021, developments were completed for the two PoCs aimed at testing an access control solution for the Substation and Roadside Cabinet. Field experimentation was also completed with the installation on four Secondary Cabinets of the IoT solution with services for 1. access control, 2. ambient temperature, 3. transformer temperature, 4. humidity, 5. Flooding.

3. Overhead line diagnostics

The project involves the combination of periodic analyses of satellite images using artificial intelligence algorithms (developed to detect man-made and/or vegetation interference) and targeted inspections with drones to enable a continuous monitoring of overhead lines.

During 2020, the platform for management of the process was developed and went live and operation of the process itself was launched. The process was found to be highly innovative both by the Politecnico di Milano university Drone observatory and Space Economy observatory. In 2021, installation of the system continued, as did optimisation of the platform's features. The GIMMI project was also presented by Areti to the final conference of the Drone Observatory at the Utility table alongside Eni and Enel. Field

inspections performed in conjunction with the HV and MV Asset Management units are currently underway.

Development of Areti telecommunications network

The TLC project involves the creation during 2020-2021 of a high-speed and high-reliability fibre-optic network that will link all primary stations, which constitute the main backbone of the telecommunications network and from which all smart-grid services will be launched, and the linking of around 150 substations via fibre optic. This network will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment. This network will also allow implementation of advanced automation for substations linked by fibre optic, in order to significantly improve the quality of the electricity service.

Over a three-year period, all primary stations will be linked via fibre optic (owned or IRU) and about a thousand substations will be connected to the main network. This objective will be made possible thanks to the synergy between the optimisation of the electrical grid and the laying of fibre optics, which will substantially reduce the impact on the territory by reducing the inconvenience for the public.

LV and PL remote control

In 2021, the number of secondary substations remotely controlled in LV amounted to 300 and corrective actions have been carried out and new functionalities have been implemented on the SCADA, in order to provide a more stable and complete system for the monitoring of events and measures on the low voltage network.

In particular, the visualisation on the SCADA map of assets and guidelines has been made easier, new reports have been released to identify situations of particular interest and a more effective management of the activities on the network has been guaranteed, thanks to the functionality that allows for the assignment to each Room operator (automatically and/or manually) of the complete supervision of a part of the network. Furthermore, the possibility of simultaneous configuration activities on LV network assets by several operators has been implemented and data on events occurring daily on the distribution network have been made available automatically to external systems.

The new SCADA system for the management of public lighting equipment is currently capable of remotely controlling more than 2,500 installations. This system is also undergoing continuous corrective and evolutionary maintenance to improve its functionality. Among that with the greatest impact, the management of the automatic reclosure of protection devices in the field has been made available, which will allow for, depending on the event that caused the disruption, restoration of the functionality of the equipment without the intervention of teams on site. Furthermore, in addition to an easier visualisation on the map of assets and guidelines, new reports, the availability of data from external systems and the simultaneous management of configuration activities similar to the LV network, the calendar has been implemented for the suitable management of alarms during the daily switching on and off of public lighting systems.

Public Lighting

In 2021, extraordinary maintenance and modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects. Regarding the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it Areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 08.02/2021, Roma Capitale communicated the

results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between RC and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea/areti’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables.

GENERATION

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Energy produced (hydro+thermal)	GWh	599	524	75	14.4%
- of which hydro	GWh	428	370	57	15.5%
- of which thermal	GWh	172	154	18	11.7%
(Photovoltaic) Energy Produced	GWh	71	64	8	12.2%
Energy produced (cogeneration)	GWh	40	41	(1)	(3.2%)

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	126.3	79.1	47.2	59.8%
Costs	46.8	33.7	13.1	38.9%
EBITDA	79.5	45.4	34.1	75.2%
Operating profit/(loss) (EBIT)	49.4	18.1	31.2	172.1%
Average workforce	88	84	4	5.0%
Capex	39.4	39.0	0.5	1.2%
Net Financial Position	237.0	224.2	12.7	5.7%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Energy Infrastructure Segment	79.5	45.4	34.1	75.2%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	6.3%	3.9%	2.4 p.p.	

EBITDA at 31 December 2021 was € 79.5 million, an increase of € 34.1 million compared to 31 December 2020, mainly due to **Acea Produzione** (+€ 25.5 million) as a result of the increase in both the volumes produced and the higher water contributions (+55.1 GWh) and the prices on the energy markets (+60.67€/MWh). The increase in margins also refers to **Ecoenergia** (+€ 2.5 million) partly due to in-

come from the sale of Alfasigma’s cogeneration plant (+€ 0.6 million) and for the remainder to higher revenues from activities relating to design and permitting services for the Acea Group’s mobility plan. Finally, EBITDA for the photovoltaic segment, identifiable with the scope of the operating subsidiaries of Acea Sun Capital and Acea Solar, was € 17.3 million, up by € 5.3 million primarily due to the

effect of the change in scope. As extensively described in the paragraph “Information on IFRS 5” of the Notes to the Financial Statements, at the end of the year a contract was signed for the sale of certain companies in the photovoltaic sector, which in 2021 contributed € 16.5 million to EBITDA. The closing of the transaction and the related sale of the equity investments will occur by 2022.

The average workforce was in line with the previous year. Note that the photovoltaic companies do not have employees.

Investments amounted to € 39.4 million and are mainly attributable to **Acea Produzione** (€ 17.5 million), mainly for the installation of the third engine at the Tor di Valle thermal power station, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating grid in the Mezzocammino district in the south of Rome, to the investments made by **Acea Solar** (€ 10,5 million) developed by Aiem, Solarfields and Enertronica and by Fergas (20 MW) for the construction of photovoltaic plants on both agricultural and industrial land and to **Fergas Solar** (€ 10.4 million) for the Ferrandina plant.

The net financial position stood at € 237.0 million as at 31 December 2021, an increase of € 12.7 million compared with 31 December 2020. The changes are mainly linked to the dynamics of acquisitions of companies in the photovoltaic segment and operating cash flow.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Production of electricity

The production system of Acea Produzione currently consists of a series of generation plants with total installed capacity of 229.2 MW, composed of five hydroelectric plants (three located in Lazio, one in Umbria and one in Abruzzo), fifty-two photovoltaic plants (with installed capacity of 8.6 MWp), two “mini hydro” plants, Cecchina and Madonna del Rosario and two thermoelectric power stations, Montemartini and Tor di Valle. The latter, the subject of a major repowering completed in late 2017, was affected by an expansion already authorised in the IEA of 2015 and commenced in the second half of 2020 through the installation of the 3rd engine. The plant was launched for commercial operation on 9 July 2021 allowing the Company to meet its commitments under the capacity market auction award during the 2022-2037 period. The power plant in its current configuration consists of three high-efficiency natural gas-fired engines each with an electrical output of 9.5 MW, for a total of 28.5 MW, as well as three integration boilers and 6 storage tanks. In addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

The Company is proceeding with the authorisation process for the installation of 2 new cogeneration units, with a capacity of 1.5 MW each, which will be powered by the biogas coming from the Rome South Treatment Plant and will produce electricity to be fed into the grid and thermal energy that will be supplied to the treatment plant and partly fed into the district heating grid.

Activities to improve the quality of the district heating service continue, with extraordinary maintenance of the district heating grid involving both the renovation of the delivery substations and the replacement of several important sections of piping. In particular, the doubling of the section of piping from the Tor di Valle power plant was commissioned. With reference to the activities put in place to meet the requirements introduced by ARERA relating to technical quality, a toll-free number dedicated to emergency reports was launched on 1 January and the new GIS platform was put online, which will enable management, monitoring and reporting of technical interventions carried out on the district heating grid.

In addition to the production assets described above, Acea Produzione, following the disposal of plants during the year 2021, owns photovoltaic plants for an installed capacity of 3.1 MWp in addition to those owned by its subsidiaries.

In 2021, the Company generated a volume of 540.1 GWh through the directly owned power plants. During the period, the Company's production was subdivided into hydroelectric plant production of 424.6 GWh, production from mini-hydro plants of 3.2 GWh, thermoelectric production of 102.7 GWh and photovoltaic production of 9.6 GWh. The Company's production mix is mainly from renewable sources with “green” production representing approximately 81% of the total. In addition, about 60% of total production is incentivised following investments in hydroelectric power plants or participation in the “feed-in tariff” scheme for the photovoltaic segment.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 68.63 GWh (thermal), for a total of 3,581 utilities served (266 condominiums and 3,315 real estate units).

With particular reference to hydroelectricity, the sector recorded an overall production of 427.8 GWh, higher than the historical ten-year average (+1.1%), due to the greater contribution of the flowing plants of C. Madama, Mandela and Orte (+18.3%), despite the decrease in the S. Angelo power plant. In fact, the production of the power plant recorded a reduction (-3.8%) compared to the 10-year averages and the average 2021 contributions of the Aventino (3.5 mc/s) and Sangro (12.6 mc/s) rivers, which belong to the catchment basin on which the power plant supply works rest, were -22.6% and +4.8% respectively compared to the average of the previous three years 2018-2020. In view of the level of contributions in 2021, the maximum reservoir level was exceeded at the Bomba Dam during the late January - early February period and the current lake levels reached 248.60 and 251.24 metres above sea level, respectively.

Finally, the photovoltaic sector (52 plants for a total of 8.6 MWp) recorded production of 9.6 GWh, which was lower than estimated production due to the prolonged revamping of the Orvieto and Monte Mario plants.

Co-generation

The Company's production system as at 31 December 2021 consists of a set of cogeneration plants, whose total electrical, thermal and cooling capacity has been reduced as a result of the conclusion of the two contracts referring to the Prepo and Alfasigma plants, falling from a total installed electrical capacity of 4 MW to an overall electrical capacity of 1.86 MW. This amount includes the installed power related to the second cogenerator mounted at Europarco.

The plants held by the company at 31 December 2021 are en-

tirely located in the Lazio region, some of which are combined with district heating grids. In 2021, the Company achieved a production volume of electricity of approximately 6.7 GWh, thermal energy of approximately 23.3 GWh, and refrigeration energy of approximately 11.1 GWh. Compared to last year, thermal energy and refrigeration energy sold to customers is up slightly, while electricity is down due to the conclusion of the contract with Alfasigma.

With regard to Europarco's trigeneration plant, the construction of the second 400 kW cogenerator at the site has been completed.

With regard to the Porta di Roma plant, the repairs on the first cooling unit of the plant have been completed. Work was completed on moving an additional cooling unit from the Cinecittà World trigeneration plant with the related cooling tower for the upgrades to the Porta di Roma site.

Works to replace the heat pump for refrigeration energy were also completed at the Saxa Rubra plant.

With regard to the air conditioning system at Acea's data processing centre (Cedet), checks and fine-tuning were carried out on the new more efficient system. The report on the actual energy savings achieved was sent to the Customer who confirmed compliance with the energy performance guaranteed in the Energy Performance Contract (savings of 308 MWh with reference to the year from July 2020-June 2021). The final consumption of the plant with improved efficiency showed an energy saving of 30% compared to the previous use of the plant.

As part of the activities carried out by Ecogena for Acea Innovation, concerning the design project, permit and creation of charging infrastructure for electric vehicles, it should be noted that the project continues its implementation phase with regard to "WAVE I" of the project, where work remains to be completed on those positions that have suffered delays due to criticalities highlighted by SIMU (infrastructure department of the Municipality of Rome) towards the DSO, the inaction of several municipalities in the release of excavation licences or the overlap of local events that have postponed their implementation.

In the meantime, the Mayors' Conference was held for the approval of WAVE II of the project, so as of now, having passed the stage of requesting excavation licenses for the 92 approved projects out of 182 submitted, it is possible to proceed with the start of works. For the planning of WAVE III of the project, sites have been selected for development and the service contract between Ecogena and Acea Innovation is being finalised. Ecogena is also in the process of organising works for 13 sites distributed over the territories of two municipalities in the province of Rome (Velletri and Castel Gandolfo).

On the subject of the efficiency of residential buildings through tax deduction systems (see ecobonus and sismabonus) and as part of the collaboration established between Acea Innovation (owner of

the business line) and Ecogena, project assignments for over € 30 million were registered. At the same time, the first 3 superbonus worksites promoted by Ecogena have commenced, to which another two related condominiums will be added shortly, all in the province of Taranto. In December 2021, the contract for the work on the Ostia super condominium in Via Capo dell'Argentario was signed.

In the area of cogeneration, in December 2021, a contract was signed for energy service through cogeneration technology and the construction of a 2 MWe plant. Preliminary checks are underway on other industrial prospects and, at the same time, preparatory activities are taking place for the evaluation of an opportunity in the photovoltaic sector that envisages the construction of the plant in ESCo mode, with the provision of an energy service to end customers.

New photovoltaic acquisitions and agreement to divest certain photovoltaic companies

In line with the Business Plan, the Acea Group also continued to acquire companies in the photovoltaic market during 2021. As at 30 December 2021, 18 companies were acquired for a total installed capacity of approximately 62 MW (Acea Sun Capital 46 MW, Acea Produzione 13 MW and Acea Solar 3 MW); it should also be noted that in 2021, 100% of the capital of JB Solar Srl, M2D, PSL and Solarplant was acquired (total installed capacity of 4.0 MW). Two new companies, Acea Green and Acea Renewable, were also established, to which several plants previously owned by Acea Produzione and Acea Solar were transferred. We can also note that Acea Solar, through its subsidiary Fergas Solar SpA, is the owner of a single authorisation for the construction of a 20MW solar power plant in Basilicata, has obtained authorisation for the construction of a 5 MW power plant on its own industrial land in Lazio and also has a 15 MW portfolio in Lazio. In the development of greenfield photovoltaics, Acea is also carrying out a balanced mix of projects, with particular attention to areas of an industrial nature, and has a total of over 400 MW in the pipeline.

Finally, as described in detail in the section on "Assets held for sale", at the end of 2021, Acea and Equitix signed an agreement to sell a majority stake in a newly created company to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred.

In particular, Equitix will acquire a 60% stake in the newly established company ("HoldCo") to which will be transferred a portfolio of photovoltaic plants, currently owned by Acea Sun Capital, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.

ENGINEERING AND SERVICES

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Total number of analyses	no.	1,098,505	1,142,720	(44,215)	(3.9%)
Total number of samples	no.	37,126	36,266	860	2.4%
Worksite inspections	no.	15,577	14,904	673	4.5%
Number of projects	no.	74	103	(29)	(27.8%)
Number of EPC work sites	no.	35	34	1	2.9%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	111.9	88.9	23.0	25.9%
Costs	94.7	74.2	20.5	27.6%
EBITDA	17.3	14.7	2.6	17.4%
Operating profit/(loss) (EBIT)	10.5	10.3	0.3	2.7%
Average workforce	441	373	68	18.1%
Capex	9.9	6.6	3.2	48.7%
Net Financial Position	28.1	31.1	(3.0)	(9.7%)

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Engineering and Services Segment	17.3	14.7	2.6	17.4%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	1.4%	1.3%	0.1 p.p.	

This Segment closed 2021 with an EBITDA of € 17.3 million, for an increase of € 2.6 million compared to the previous year. This increase mainly comes from the change in the scope of consolidation of **SIMAM** acquired in May 2020 (+€ 3.0 million). Apart from **Acea Elabiori**, the Segment also includes **Ingegnerie Toscane**, an engineering company consolidated with the equity method that provides technical support services in the water-environmental sector, **TWS**, a company that operates mainly in the construction and renovation of works instrumental to the operation of the Integrated Water Service, and in particular of water treatment plants – drinking water and wastewater – as well as design and engineering services as they relate to plant construction. These companies recorded EBITDA of € 4.2 million, € 3.4 million, € 1.5 million, respectively.

The average number of staff at 31 December 2021 was 441, an increase of 68 people compared to 31 December 2020 (373). This increase is mainly attributable to the entry into the scope of the **SIMAM** Group (+40 employees).

Investments amounted to € 9.9 million, an increase of € 3.2 million compared with the previous year, of which € 0.8 million for the consolidation of **SIMAM** and € 2.4 million attributable to **Acea Elabiori**, mainly due to the design and implementation of processes and new systems as well as extraordinary maintenance work on the Grottarossa site and equipment for the analysis laboratory.

The net financial position at 31 December 2021 was € 28.1 million, an improvement of € 3.0 million compared to 31 December 2020. This change is directly attributable to **Acea Elabiori** as a result of the requirements generated by changes in working capital.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events occurred in the period.

CORPORATE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	140.2	131.1	9.1	7.0%
Costs	179.5	165.6	13.8	8.4%
EBITDA	(39.3)	(34.6)	(4.7)	13.6%
Operating profit/(loss) (EBIT)	(67.4)	(55.7)	(11.7)	21.0%
Average workforce	704	700	5	0.6%
Capex	34.4	28.5	5.9	20.8%
Net Financial Position	443.1	283.2	159.9	56.4%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Corporate Segment	(39.3)	(34.6)	(4.7)	13.6%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	(3.1%)	(3.0%)	(0.1 p.p.)	

Corporate closed at 31 December 2021 with a negative EBITDA level of € 39.3 million, down € 4.7 million compared to 31 December 2020. The change is due to the combined effect of increased technical and IT services, consultants' fees, electricity consumption and costs linked to the Covid emergency (including the vaccine hub), partly offset by higher cost and service chargebacks to Group companies.

EBIT is a negative € 67.4 million, down € 11.7 million on the previous year as a result of higher amortisation and depreciation relating to IT projects that have come into operation and new developments.

The average workforce at 31 December 2021 stood at 704, an increase of 4 compared to the first quarter of 2020 (there were 700 employees).

Investments amounted to € 34.4 million and increased by € 5.9 million, compared to 31 December 2020. The investments relate

mainly to software licences, IT and hardware developments, as well as investments in the company offices. The increase includes € 1.6 million for the purchase of land from ATAC SpA adjacent to the headquarters and used as a car park. The acquisition was made on the basis of a competitive procedure.

Net financial position at 31 December 2021 amounted to € 443.1 million, an increase of € 161.1 million compared to the end of 2020. This change comes from Group and Acea requirements. It should also be noted that at the end of the year the acquisition for € 129 million of the equity investment in Acea Produzione previously held by Acea Energia took place.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events are reported during the period observed.

SIGNIFICANT EVENTS DURING THE PERIOD AND AFTERWARDS

Acea SpA: Fitch Ratings confirms Acea's "BBB+" rating and "stable" outlook

On 14 January Fitch Ratings confirmed its Long-Term Issuer Default Rating (IDR) for Acea of "BBB+" with "Stable" outlook, and the Short-Term IDR of "F2". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed.

Confirmation of the rating reflects the focus of the Group's strategy on regulated business, strong operating performance and a good level of available liquidity. These factors offset the increase in debt linked to investment programmes in innovation and sustainability included in the 2020-2024 Business Plan.

Acea SpA: successful completion of the first Green Bond placement for € 900 million

On 21 January, Acea SpA successfully completed placement of its first Green Bond issue for a total amount of € 900 million, in two series, in the context of the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the "Bonds"), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the "2025 Bonds") and the second series totalled € 600 million, with a rate of 0.25% and expiry on 28 July 2030 (the "2030 Bonds").

Acea enters the business of electric mobility charging services

Acea enters the business of electric mobility charging services across the country by launching the "**Acea e-Mobility**" App, which makes it possible to charge an electric vehicle at over **10,000 points in Italy**, thanks to the interoperability agreements signed with other sector operators.

The App was developed to provide customers with a useful tool for easy management of all steps in the charging service: it will be possible to locate available active charging columns, book them, charge an electric or plug-in vehicle, monitor the charging status and manage payments with the main channels available (credit/debit card, prepaid cards or Apple Pay). The **Acea e-Mobility Card** will also be available for use with other associated services. Charging points will be free to book through the App until 31 December 2021. Acea Energia also offers three different **wallbox** models that will allow customers to charge their vehicle at their own home.

Acea SpA: the Shareholders' Meeting approves the Financial Statements as at 31 December 2020 and approves the payment of a dividend of € 0.80 per share

On 22 April, the Acea SpA Shareholders' Meeting approved the Financial Statements and presented the Consolidated Financial Statements at 31 December 2020, which showed a net profit,

following allocations to third parties, of € 284.9 million. The Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 (2020 Sustainability Report) was also presented to the Shareholders.

The Meeting also approved the allocation of profit for the year as proposed by the Board of Directors and the distribution of the dividend. The total dividend (coupon no. 22) of € 170,038,325.60, equal to € 0.80 per share, will be paid starting from 23 June 2021 with coupon detachment on 21 June and record date 22 June.

Acea: up to 1,000 daily vaccinations at the Autoparco company headquarters

Offering its contribution to speed up the Covid-19 vaccination plan coordinated by the Italian Ministry of Health, Acea has provided support to institutions, starting with the Lazio Region, for the actions implemented by the Italian Government. In particular, the company has provided a vaccination hub where the local population, as well as employees, can be administered up to around 1,000 doses per day. The company "Autoparco" in Piazzale Ostiense has been fitted out as a hub for vaccinations. The area dedicated to administering them will be operational 7 days a week, with 12, 16 and even 24-hour shifts expected.

Acea consolidates its position as a leading player in the Environment sector

Acea signed an agreement for the acquisition of 65% of Deco (and through this of Ecologica Sangro). Deco operates in the waste sector in Abruzzo and is engaged in the design, construction and management of plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources. The scope of the business being acquired includes: a Mechanical-Biological Treatment (MBT) plant with an authorised capacity of 270,000 tonnes/year, a photovoltaic plant, a biogas plant and two disposal plants. Ecologica Sangro operates, again in Abruzzo, in the sector of integrated management of municipal solid waste; the assets covered by the agreement are a disposal plant and a biogas plant. The closing of the agreement is expected before the end of the year.

Acea also signed an agreement for the acquisition of 70% of Serplast and 60% of Meg, companies operating in the plastic recycling business, a segment downstream of post-consumption plastic selection in which Acea is already present with Demap and Cavallari. The Serplast and Meg plants are present respectively in Abruzzo and Veneto. The estimated volumes processed in 2021 are approximately 70,000 tonnes/year.

Acea continues to grow in the circular economy

Acea and the Inter-university Consortium for Materials Science and Technology (INSTM) signed a framework agreement for the development of new materials and the application of innovative technologies aimed at the sustainable management of raw materials and the recycling of products, according to the logics of

the national and European circular economy. The purpose of the project is to make the production processes and the value chains sustainable, on the one hand increasing the efficiency of the materials, on the other investing in re-use and in the use of recycled products for the production of durable goods with high added value. In this way it will be possible to reduce the use of natural resources generating positive repercussions on the environment and the community.

Partnership between Acea and Suez for the digitalisation of water service metering systems

Acea and the Suez Group signed a Term Sheet relating to the creation of a joint venture for the design of an advanced smart metering system for the water service (so-called smart meter), and its subsequent production and marketing in Italy and abroad on the basis of a specific commercial partnership. The market for smart metering systems for water service is currently expanding worldwide and is worth more than € 4 billion annually.

The Project is characterised by digitisation and technological innovation functional to the smart metering of the water service and has a strategic nature for both companies involved, who are among the most significant operators, at international level, in the water sector and environmental protection. Specifically, the Project envisages the creation of a new generation multifunction meter unique on the market, equipped with NBIOT connectivity, which Acea and the Suez Group believe represents a breakthrough in future communication technologies in this sector. To this end, the companies involved are jointly developing a patent, pooling their complementary expertise.

Acea launches a smart grid project to serve the electricity network of the Capital

Acea, through its subsidiary Areti, has launched a "SMART GRID" project, which, as part of the broader development plan of the electricity network of the Capital, will allow for a more innovative and efficient infrastructure.

The implementation phase of the project has been entrusted to two important technological partners, Sirti, innovation hub in the field of network infrastructure development and systems development and integration, and Nokia, global leader in communication solutions and technologies.

Thanks to this project, the remote control of primary and secondary substations will be greatly enhanced, obtaining greater automation of the same, with a consequent improvement in service levels.

The new carrier grade network, with three hierarchical layers - will also ensure high security standards, enabling future 5G evolutions.

Acea: agreement signed with Equitix for the sale of a majority stake in the newco that will manage the photovoltaic assets

Acea has signed an agreement with UK infrastructure fund investor Equitix, through its manager Equitix Investment Management Limited ("Equitix"), to sell a majority stake in the newco to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred.

In particular, Equitix will acquire a 60% stake in the newly established company ("HoldCo") to which will be transferred a portfolio

of photovoltaic plants, currently owned by Acea Sun Capital, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.

Acea will maintain the management of the plants through the signing of multi-year contracts with HoldCo relating to operation & maintenance and asset management activities. Acea Group has also committed to withdraw energy produced by newly built plants on the basis of long-term power purchase agreements (PPAs).

In addition, HoldCo will have the opportunity to evaluate access to a pipeline of photovoltaic plants up to approximately 500 MW, under development by Acea Group.

The economic value of the transaction, referring to 100% of the plant portfolio, in terms of Enterprise Value is € 220 million, which represents an EV/EBITDA 2022 multiple of 10x.

The transaction is part of the 2020/2024 Business Plan presented in October 2020 and aims to accelerate the Acea Group's growth in the renewable energy sector and create a platform focused on the development of photovoltaic plants with a target capacity of 750 MW in the medium term.

The Consortium formed by Ascopiave, Acea, and Iren won the tender for the acquisition from A2A of several concessions in the field of gas distribution

The consortium formed by Ascopiave (58%), Acea (28%) and Iren (14%), after having won the tender for the sale by A2A of concessions in the natural gas distribution service, signed an agreement with the A2A Group for the acquisition of the relative assets.

The scope of activities covered by the transaction includes approximately 157 thousand users, distributed in 8 Italian Regions, belonging to 24 ATEMs, for over 2,800 km of network.

The economic value of the acquisition in terms of Enterprise Value, as of 30 June 2021, is € 126.7 million. The expected average annual EBITDA over the 2022-2024 period is approximately € 12.8 million, while the 2020 RAB of the acquired assets is € 108.9 million (including the centralised RAB of € 6.2 million).

The consideration envisaged for the acquisition will be financed by cash flows from ordinary operations and the existing debt capacity of the Consortium Companies. The transaction is expected to close in the first half of 2022.

Acea's perimeter of interest consists of concessions in 5 ATEMs, including 2 in Abruzzo, 2 in Molise and 1 in Campania, for a total of approximately 30,700 grid points. The Enterprise Value is € 35.8 million.

Acea: Gaia Rating confirms Acea's growth on the sustainability indicators

Gaia Rating gave Acea a score of 82 out of 100 in its overall assessment of ESG performance. Acea recorded a score increase for the fourth consecutive year, confirming its position among the best-performing companies in terms of sustainability.

Acea improves its position in the Bloomberg Gender-Equality Index (GEI) 2022

In 2022, Acea also confirms its presence in the "Bloomberg Gender-Equality Index" (GEI), an international index that measures companies' performance on gender equality through five criteria: female leadership, equal pay, inclusive culture, policies against

sexual harassment, brand positioning as a pro-women company. The Group, included in the index for the third consecutive time, obtained a score of 80.67 (on a scale of 0-100) this year, placing it well above the averages for the utility sector (71.21) and the sample analysed (71.11), with a significant improvement of 10.18 points compared to the 2021 result.

Acea's green transition at the heart of the 10-year plan

Acea has launched a process for the definition of a green transition plan that will chart the path of the company, in line with the long-term goals of the 2030 Agenda, to lay the groundwork for the update of the Business Plan that will have a ten-year time period.

MAIN RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and continuous risk management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

As part of the Enterprise Risk Management Framework, Group companies, also availing themselves of the support and assistance of Acea SpA's Risk & Compliance Department, periodically carry out risk assessment activities in a structured manner, with the aim of identifying and assessing the main risks that may significantly affect the achievement of business objectives. In this way, a representation of the evolution of the Group's overall risk profile is achieved, through the mapping and prioritisation of the main risks to which the Group is exposed and the identification of optimal methods for managing them, by preparing a mitigation strategy and monitoring its implementation. In the monitoring phase, Group companies ensure the management of identified risk scenarios, including through the implementation of specific response actions identified to reduce their potential effects.

During the year, the Group's Key Risk Indicators (KRI) Framework was implemented, which makes it possible to assess changes in the organisation's exposure to "operational" risks through the identification, regular updating and integrated reading of "sentinel" metrics.

This combination is designed to ensure effective control of the entire universe of main risks the Group is exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.

For Risk Mitigation long ago the Acea Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- Third Party Liability;
- Property Damage;
- Employee benefits.

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability — in all its general, professional, environmental and cyber forms — and from events (accidental, culpable or malicious) affecting the Group's physical and production assets. The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guar-

anteeing and paying the employees of the Acea Group significant financial support — both to those directly concerned and to those who may be entitled — in case of serious traumatic events related to both the professional and private spheres.

Still on the subject of *risk mitigation*, most of the companies of the Acea Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.

Note that, on the date of preparation of the current Management Report, we do not expect to be exposed to further risks and uncertainties that may have a significant impact on the results of the Acea Group's operations, equity or financial position, other than those mentioned in this document.

COVID-19 HEALTH EMERGENCY

The international health emergency caused by Covid-19, commonly referred to as "Coronavirus", has evolved rapidly over the past few months. This has led the Italian government to put in place a series of provisions that are both restrictive and of an emergency economic nature, the duration of which it is still impossible to predict at this time, entailing a substantial change in both the internal and external context.

The Acea Group immediately implemented a series of actions to protect all stakeholders, adapting the policies from time to time as the situation evolved.

Key impacts by business sector are shown below.

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The health emergency linked to Covid-19, which began in 2020, as well as the subsequent restrictive measures adopted by the government to limit contagion, still in effect, led to an economic impact that heavily affected domestic electricity requirements, with a notable decrease in electricity demand. During 2021, this trend progressively declined and then reversed.

Total electricity fed into the Areti grid (from the national transmission grid, from generation plants connected directly to the Areti grid and from the interconnected E-Distribution grid) increased in 2021 by 1.66% compared to energy fed into the grid in the same period of the previous year.

The maximum power requested by the areti network in 2021 was 1,927 MW, registered at 3:00 pm on 30 July 2021. This amount was around 24 MW (-1.24%) lower than the corresponding figure in 2020, which was 1,951 MW, registered at 3:00 pm on 30 July 2020.

Commercial and Trading

Due to the Covid-19 emergency, access to the Public Hall of Piazzale Ostiense was allowed only by appointment, managed through a telephone reservation service with a dedicated toll-free number. The areas of the Public Hall are managed suitable to ensure appropriate distancing between customers and operators, whether external or internal to the Hall. To that end, the use of desks placed in the Hall has been suspended and the number of active counters has been reduced. Additionally, a body temperature measuring point has been installed at the entrance and all visitors must sanitise their hands and wear a face mask. The reopening of the Ostia branch has been postponed until a later date.

Since the onset of the epidemic, customers have been advised of the possibility of managing their accounts via telephone, chat systems, customer areas in the websites and apps on smartphones. Similar information has been published on the websites www.acea.it (Free Market), www.servizioelettricoloroma.it (Standard-Offer Market) and on the social networks of the free market (Acea Energia Facebook page), with the tagline “We remain close to you, even from afar” and the hashtag #iorestoacasa (#imstay-at-home).

Emails were also sent to customers in the open and standard markets to encourage the use of the customer area on the website.

Additionally, Acea Energia has again begun door-to-door sales and at the Acea Shop sales points, which had been suspended for the entire lockdown period, in compliance with the provisions of the law to prevent the spread of Covid-19.

As an additional measure to strengthen protection, Acea Energia has implemented specific control and prevention processes, which have permitted it to receive Biosafety Trust Certification from the certifying body RINA Services.

Water Segment

Despite the need to stay at home or in any case to limit travel, water consumption has not changed and has remained almost constant due to the combined effect of the reduction in consumption of non-domestic users (industrial, commercial, etc.) and the increase in consumption of domestic users. In large cities there has been a reduction due to the blocking of tourism.

In compliance with the provisions of the regulations pertaining to the Covid-19 health emergency, as well as in compliance with the Resolutions of ARERA, the main preventive and precautionary measures taken by the IWS operators of the Acea Group to ensure continuity and availability of the service in conditions that are safe for the public and operators concerned entail, among other things:

- Raising awareness of the use of alternatives to physical branches — web, apps, toll-free numbers, emails through which it is possible to carry out any type of activity — following closure and/or appointment-based access of physical branches in order to ensure social distancing;
- the suspension — from before the provisions of ARERA — of debt recovery activities, in particular service disconnections, as well as the opportunity for users in financial difficulty to request the deferment of the payment terms of expired or expiring bills;

- the division into instalments of bills due, issued, or with consumption dating to the emergency period.

Additional measures to protect users compatible with current regulatory legislation (Resolutions 580/2019/R/idr and 235/2020/R/idr) are being shared with the Area Governing Bodies of the territories served.

Environment Segment

The companies of the Environment Segment provide essential public services, and therefore are exempted from the suspension of production established by the Italian ministerial decrees issued over time to combat the epidemiological spread of Covid-19.

During the lockdown there was a temporary reduction in the SRF input at the San Vittore waste-to-energy plant resulting from the treatment of unseparated waste produced in the Rome area, given the substantial drop in tourism and commuting. However, Acea Ambiente has implemented measures to compensate for the effect, reserving additional and temporary space for the other contributors. In any case, things have currently returned to normal.

There have also been localised reductions of some special waste delivered to some liquid waste treatment platforms of the segment due to the shutdown of manufacturers.

The other plants operated at substantially the same productivity levels as before the spread of the epidemic.

Specific regional ordinances have also identified the treatment plants of San Vittore del Lazio (UL3) and Orvieto (UL4) as facilities for the destination of unseparated waste produced by the infected or quarantined persons in their respective regions (Lazio and Umbria).

Almost all regions have issued ordinances halting separated collection for infected and quarantined persons, with impacts on the type and quantity of urban waste entering the Segment's facilities. The amounts have not been very large, hence without any significant effects beyond those indicated above.

Safety during the Covid-19 pandemic

Since the beginning of the emergency caused by the spread of the Coronavirus, the Acea Group has implemented prevention and protection measures to manage the risk of Covid-19 contagion.

For the activities carried out by Acea Group Companies, exposure to Coronavirus does not pose a professional risk as employees perform tasks that do not increase their risk compared to the rest of the population.

However, since working activity created the possibility of people coming into contact with others exposed to the virus, a protection strategy was immediately planned aimed at limiting the impact on the organisation based on a risk assessment.

The main measures implemented are as follows:

- dedicated training courses and information materials;
- revision of the Risk Assessment Document and emergency plans;
- reorganisation of working activity;
- large-scale teleworking those who can work remotely;
- integrated management systems for visitor flows;
- screening initiatives for employees;
- flu vaccine campaigns (also extended to family members residing in the same place as employees);

- possibility to receive the Covid-19 vaccine at the Acea HUB;
- adoption of all measures for prevention and protection from infection;
- application of formal procedures for the periodic assessment of the effectiveness of the measures undertaken, through supervision of the actual implementation of anti-contagion measures (monitoring conduct).

Given the importance of protecting the health and safety of its workers, the Acea Group wanted to provide a concrete sign and a contribution that was not just economic to its workers, by activating – as of the start of the explosion of the pandemic in 2020 – special insurance coverage at no cost for employees (including temporary workers, interns and collaborators in general, which guarantees significant economic support in the case employees or their family members are hospitalised).

The policy, in addition to providing an indemnity and assistance services in the case of contagion and hospitalisation due to Covid-19, also includes a series of medical or psychological consulting services which can be activated and used, even in the absence of contagion and/or hospitalisation.

The Acea Group policy was signed by 29 companies and, at present, covers around 16,000 people including workers and their family members.

Teleworking - keeping people connected, close, active

In 2021, the Agreements with the Trade Unions on measures to contain and combat Covid-19 were confirmed and renewed.

In particular, these agreements are focussed on rules for smart working during the emergency period, flexible management of working hours and remote training, as useful tools to allow for work to be performed in safety, while guaranteeing the maximum possible organisational flexibility.

Investors

The Covid-19 pandemic strengthened institutional investor interest in ESG issues, which are increasingly integrated into investment decisions. In particular, an increase has been seen in the financial community's sensitivity to social and environmental issues, with a growth in investor awareness of the interesting risk/return profile that can be offered by sustainable investments.

Shareholders and lenders

In view of the fact that the characteristics of the businesses managed by the Acea Group, approximately 85% of whose EBITDA is generated by regulated activities, and in light of the chronology of events and measures put into place, the regulatory areas governing the Acea Group's businesses did not change significantly due to the aforementioned health emergency.

With regard to the financial impact both in the short and medium term, there are no significant uncertainties for the Acea Group in dealing with the "coronavirus" emergency and the effects that this could reasonably cause, also because of the company's ability to continue to operate as a going concern thanks to the Group's solid financial structure.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the Acea Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector Authority (ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA's regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.

These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the Acea Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and

with the support of the Parent Company's relevant organisational structures.

In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity price trends over the coming months as well as the trend of receivables that however do not represent critical elements at the moment. With reference to raw materials, in addition to monitoring balances on the basis of fixed and variable price sales forecasts, Group companies only use high-standing counterparties that meet the requirements of their own commodity and counterparty risk procedures. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. It should be noted that Acea Group has no direct relations with companies under Russian, Ukrainian or Belarusian law that are in any way affected by the conflict. Given the situation of absolute uncertainty, the Acea Group will reflect in the Business Plan any impacts that are currently undetermined.

NATURAL RISKS

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by Acea Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages.

For many years now, the Acea Group has been demonstrating its solid commitment to tackling and mitigating the risks related to climate change, not only through the reporting included in its Sustainability Report, but also by disseminating its strategies and illustrating the actions taken and the initiatives organised through participation in the Carbon Disclosure Project (CDP), confirming its score of A- and inclusion in the Leadership category.

This important result has further stimulated the Acea Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

In fact, for the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential effects also on finances. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed,

with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO₂ emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the Acea Group to the risk of non-compliance with consumer-protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair commercial practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities such as market allocation, manipulation of tender procedures, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

Acea adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line with the indications of the Holding Company, and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.

Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and ISO 45001:2018), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree 231/2001, the Acea Group has started the progressive updating of the companies' respective organisational models, starting with that of Acea SpA. In addition, preparations have begun for updating the Model for the law converting Italian Law Decree no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences pursuant to

Italian Legislative Decree 231/01, and Italian Legislative Decree 75 of 14 July 2020 transposing the “PIF Directive”.

As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231/01 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company’s Intranet. It should be noted that some consolidated companies (Areti, Acea Ato2, Acea Elabiori and Acea Ambiente), as more fully illustrated in the related financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/01 concerning safety and/or the environment. There are also complaints for corporate offences relating only to Acea Ato5, related to investigations and proceedings for significant cases pursuant to Italian Legislative Decree 231/01 concerning the environment and corporate crimes. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairpersons of the Company and the representatives of the supervisory body of this company. During 2020, notification was received that the preliminary investigations had been completed, pursuant to art. 415 bis. On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company Acea, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Finally, other additional regulatory risks that may potentially be of particular relevance for the Acea Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.

The Acea Group’s compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform has been extended to Companies to provide a first layer of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).

Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

Commercial and Trading Segment

With reference to the Commercial and Trading segment, the companies of the segment, in carrying out their sales activities on the electricity and gas free market, are fully exposed to the risk deriving from competition. In particular, there is the risk connected with potential economic and financial damage due to the progressive

concentration of the electricity and gas market, i.e. the reduction in the number of competitors and the increase in their respective market shares, which would penalise the positioning of sales companies on the market (market share too low for the same number of customers), in the event of failure to align with the growth trend of the main competitors.

Furthermore, with reference to commodities, there is the risk connected with potential economic and financial damage due to the impact of changes in the macroeconomic context, including sudden changes such as the Covid-19 pandemic or the so-called energy crunch phenomenon, which would lead, in the first case, to a reduction in the consumption of commodities by business customers and, in the second case, to phenomena of extreme volatility in commodity prices, with negative consequences on trade dynamics.

Regarding the Electricity Service for the standard-offer market, there is risk connected to development of the relevant regulatory framework, which could have a significant impact on the growth of the customer base, due to the disadvantageous position compared with other operators, as the mix of power customers of the Group companies, compared with that of the main competitors, is unbalanced in favour of the Electricity Service for the standard-offer market. This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to customers of the Electricity Service for the standard-offer market; (ii) being conditioned by tariffs regulated by revenues and margins of the Electricity Service for the standard market; (iii) exposure of a significant portion of its customer base to the impacts of policies that were adopted with a view to moving away from the Electricity Service for the standard market.

In the context of Acea Energia’s operating activities which, as a commercial company, are the single point of contact for end customers, both for the electricity and gas free market and for the Electricity Service for the standard-offer market, there is risk linked to the possibility of inadequate levels of performance on the part of Distributors, with consequent impacts on the sales company.

In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).

The Segment Companies also have typical business risks deriving from an efficient and effective management of billing and credit collection procedures, where it is affected by the sub-optimal performance of electricity and gas distributors.

Information about commodity price risk and the control tools adopted is provided in the financial risks section.

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areti, making use also of the support and assistance of the Acea SpA. Risk & Compliance Unit in managing the process and of the instruments of the Enterprise Risk Management system implemented in the corporate Group, carries out periodically and in a structured way an activity of identifying and assessing the main risks that can have a significant impact on the achievement of the business objectives deriving from the strategic, industrial, financial and sustainability plans.

For some types of “specific” risks, Acea SpA also performs a second-level control function, through specifically-established organisational structures. The company continues to monitor and manage the risk scenarios identified through periodic checks of certain KRIs (Key Risk Indicators), i.e. objective metrics designed to monitor exposure to risk of the most significant scenarios, in order

to strengthen risk response & monitoring activities and make the evolution of ERM risk scenarios, especially Top Risks, objectifiable. In 2021, the programme to update the corporate Risk Assessment was launched and will be completed by next January, using a new ERM methodology structured and formalised by the Parent Company, which will determine the new areti ERM Programme.

We can note the risks associated with the following projects with a great impact on the territory:

- Resilience Plan (investments of the network assets);
- Replacement of first-generation electronic meters with those of the second generation.

The risks refer generically to all the unknowns and to the possible problems that may arise during implementation of projects that are so articulated and extended over time (some provided for beyond the period of the Plan), also in consideration of the commitments made with ARERA; reference is therefore made to the possible critical issues associated with the work done on network infrastructures (authorisations from third-party bodies, procurement of materials, availability of firms, planning of activities, etc.) which assume greater significance for the number and concentration of the same. There is also a risk referring to the consequences that may derive from the shortage of raw materials that is affecting the national and international context; in fact, the shortage of materials risks causing delays in the supply and consequent commissioning of the components of which the network infrastructure is composed, as well as increasing purchase costs with the consequent difficulty/impossibility of respecting the budget and/or the Investment Plan.

Generation Segment

The main operational risks associated with the company's business may relate to property damage (damage to assets, adequacy of suppliers, negligence), personal injury and damage arising from information systems and external events.

Acea Produzione, in order to cope with any operational risks, has taken steps, since the start of its activity, to sign policies with leading insurance institutions for property damage, third party liability, employee accident policy and finally, in view of the health emergency still in progress, to activate a Covid-19 insurance policy.

The Company pays particular attention to the training of its employees, through in-person and on-line training courses, in order to make field operators and all corporate management responsible for working safely, respecting the environment and ecosystems, with ethical appropriateness and with a view to eco-sustainability.

Acea Produzione also develops and defines internal organisational procedures aimed at describing the activities and business processes of production sites/units where it specifies the matrix of responsibility and the context and the applicable legislation of reference; In addition, it draws up its own operating instructions for the field, which show how recurring maintenance work is to be carried out, relating the technical operating specifications to the safety guidelines to be used in operations.

The above is also realised through the implementation of an Integrated Environment and Safety Management System (hereinafter System), adopted by the Company pursuant to ISO 14001:2015 and ISO 45001:2018, certified by an accredited external control body.

The System guidelines, as a preliminary tool for the prevention of accidents, occupational diseases and environmental pollution, are aimed at the promotion and support of energy efficiency, are reflected in the System Policy declared by the Company itself.

Acea Ambiente

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that present the risks typically related to the construction of complex industrial infrastructure (construction and performance defects).

The Orvieto plant, and more recently Aprilia and Monterotondo, have completed major upgrading of their recovery processes for composting purposes, while the Sabaudia and Chiusi plants are undergoing major expansion and upgrading work that is currently being authorised.

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under CIP 6/92 and the provision of public services, could have significant negative repercussions.

This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.

The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management. Moreover, the plants and the related activities are designed to handle certain types of waste. Any deviation of these materials from the specifications may give rise to specific management difficulties, such as to compromise the operational continuity of the plants and to represent risks of legal fallout.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume Risk:** the risk linked to changes in the volumes effec-

tively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA's "Guidelines for the Internal Control and Risk Management System" and the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to

all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Acea Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Acea Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Information Technology risks

For years now Acea has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or without intent, and in any case inappropriate or not in compliance with current regulations. Acea manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures are being implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

Liquidity risk

The Group policy for managing liquidity risk, for both Acea and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet short/medium-term financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various elements of uncertainty faced by the Group include the potential economic, financial and reputational impacts associated with the closing of or failure to close the aforementioned transactions. The Acea Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.

The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

In 2019 Acea issued the new guidelines of the credit policy to make it consistent with the ongoing organisational changes and the Credit Risk Profiling project, with which different credit man-

agement strategies have been identified. The "Scoring and customer credit limit" procedure for non-regulated markets was also issued.

The Credit Check system, which has been operating in unregulated markets for several years and with which all new mass market and small business customers are checked through customised scorecards, was integrated with the CRM in 2018.

The project activities regarding Credit Risk Profiling, (2021-2023 three-year period), whose scope of operations has been remodelled and expanded, have all been started and partly completed. In this context, in 2021, the models for assessing the risk of requests in acquisition of individuals and legal entities relating to the mass market and small business channels "outside of Rome" were updated. The updated scorecards were released into production in early 2022. The models and tools for managing Large Business customers were also optimised during 2021. The information platforms supporting sales and the tool for monitoring KPI requests in acquisition managed by the advanced monitoring dashboard, which was released into production in June 2020, are still active.

The assessment of Large Business customers continues to be managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply.

The dynamic management of recovery strategies is carried out in the billing system for active customers and through a dedicated management system for those discontinued. In 2021, the fine-tuning and optimisation of the credit management process continued in terms of both the application map and the standardisation of activities for all Group companies, with the definition of a new Collection Strategy, fully integrated into the systems, which directs dunning activities according to both the type of customer (public and private) and the behaviour of individual customers (score).

Back testing of the performance scorecards of individuals and legal entities for both the free market and the greater protection market is planned for 2022, so as to further adjust, where appropriate, the dunning strategies in accordance with the relevant findings.

The structures of the individual companies responsible for credit management are coordinated by Acea SpA's Corporate Credit unit, which guarantees end-to-end control of the entire process.

The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due.

As a result of these interventions, in recent years the Group significantly improved its collections capacity both in terms of electricity sales and the water supply business.

This improvement, together with the return to full operation of dunning and posting activities after the 2020 suspensions during the acute phase of the pandemic, resulted in a significant reduction in unpaid levels on current turnover and high collection performance.

As in previous years, this year the Group has set up non-recourse, revolving and spot transactions, of receivables from pri-

vate customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the financial statements since all the risks and benefits associated with them have been transferred.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

Acea's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	14/01/2021
Moody's	Baa2	Na	Stable	12/11/2020

BUSINESS OUTLOOK

The results achieved by Acea Group as of 31 December 2021 are in line with forecasts.

Acea confirms its strategy aimed at making major investments in infrastructure, with a positive impact on the Group's operating and economic performance, while maintaining a solid financial structure. The Company has launched a process for the definition of a green transition plan that will chart the path of the Group, in line with the long-term goals of the 2030 Agenda, to lay the groundwork for the update of the Business Plan that will have a ten-year time period. In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity

price trends over the coming months. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. The Group's financial structure is solid for the years to come. At 31 December 2021, 85.7% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 31 December 2021 the average duration of medium/long-term debt stood at 5 years. We can note the reduction of the average cost, which went from 1.74% at 31 December 2020 to 1.42% at 31 December 2021.

For the year 2022 Acea expects:

- an increase in EBITDA between 2% and 4% compared to 2021;
- investments substantially in line with 2021;
- a net financial debt between € 4.2 and € 4.3 billion.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

in inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2021, equal to € 177,039,964.93, as follows:

- € 8,851,998.25, equal to 5% of profit, to the legal reserve,
- to distribute a total dividend of € 180,665,720.95 to shareholders, corresponding to a unit dividend of € 0.85 per share, equal to the entire distributable profit for the financial year ended 31 December 2021 of € 168,187,966.69 and retained earnings of € 12,477,754.26.

The total dividend (coupon no. 23) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 22 June 2022 with coupon detachment on 20 June 2022 and record date 21 June 2022.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA
The Board of Directors

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FINANCIAL
STATEMENTS





FORM AND STRUCTURE

GENERAL INFORMATION

The financial statements of Acea SpA for the year ended 31 December 2021 were approved by resolution of the Board of Directors on 14 March 2022, which authorised their publication. Acea is an Italian public limited company, with a registered office in Italy, Rome, piazzale Ostiense 2, whose shares are traded on the Milan stock exchange.

COMPLIANCE WITH IAS/IFRS

The financial statements have been drafted in accordance with the International Financial Reporting Standards (IFRS) effective on the date of drafting the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Union, consisting of the International Financial Reporting Standards (IFRS), by the International Accounting Standards (IAS) and by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), collectively referred to as “IFRS” and pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Acea SpA adopts the international accounting standards, International Financial Reporting Standards (IFRS), with effect from the financial year 2006, with transition date to the IFRS at 1 January 2005. The latest financial statements drafted according to the Italian accounting standards refer to the financial year ended on 31 December 2005.

BASIS OF PRESENTATION

The Financial Statements for the year ended on 31 December 2021 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity — all drafted according to the provisions of IAS 1 — as well as the Explanatory and Supplementary Notes, drafted in accordance with applicable IAS / IFRS provisions.

It is specified that the Income Statement is classified based on the nature of the costs, the Balance Sheet and Financial Position based on the liquidity criterion with the subdivision of items between current and non-current, while the Cash Flow Statement is presented using the indirect method.

The financial statements for the year ended on 31 December 2021 have been drafted in Euro and all amounts are rounded to thousands of Euro unless otherwise indicated.

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines

were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention no. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

Financial debt is represented and determined in accordance with what is indicated in the aforementioned ESMA guidelines and in particular in paragraph 127 of the recommendations contained in document no. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings (“Short-term loans”, “Current part of long-term loans” and “Current financial liabilities”) and long-term borrowings (“Long-term loans”) and the related derivative instruments (“Non-current financial liabilities”), net of “Cash and cash equivalents” and “Current financial assets”.

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates. The actual amounts may differ from such estimates. The estimates were used in the assessment of the impairment test, to determine some sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other provisions for depreciation, amortisation, valuations of derivative instruments, employee benefits, and taxes. The estimates and assumptions are reviewed periodically and the effects of each change are immediately recorded in the profit and loss account.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

For more information on the methods in question, please refer to the following paragraphs.

RISKS CONNECTED TO THE CORONAVIRUS COVID-19 EMERGENCY

Please see the Report on Operations for a description on the main impacts the Covid-19 emergency had on the Group's activities.

Note that at present these impacts have not had significant effects on the income statement, nor has it created uncertainties that would reflect negatively on the presumption of the business as a going concern.

Finally, in the "Impairment Test" section below, the execution of the impairment test pursuant to IAS 36 is outlined, done so to take into account the global pandemic, which did not indicate a need to carry out any write-downs on the carrying values of tangible and intangible assets.

Relative to the recoverability of receivables, no particular risks were identified.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant principles and criteria are explained below.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets (and discontinued operations groups) classified as held for sale are valued at the lower of their previous carrying amount and market value less costs to sell.

Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale transaction rather than their use in the company's operations. This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.

EXCHANGE DIFFERENCES

The functional and presentation currency adopted by Acea SpA and by subsidiaries in Europe is the Euro (€). Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were reconverted into the functional currency at the exchange rate prevailing at the balance sheet date. All exchange differences are recorded in the Income Statement of the financial statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement. The tax effect and receivables attributable to the exchange differences deriving from this type of loan are also attributed directly to equity. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate in force on the date of initial recognition of the

transaction. Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

The currency used by Latin American subsidiaries is the official currency of their country. On the balance sheet date, the assets and liabilities of these companies are converted into the presentation currency adopted by Acea SpA using the exchange rate in effect on the balance sheet date, and their Income Statement is converted using the average exchange rate for the year or the exchange rates prevailing on the date of execution of the relevant transactions. Differences in translation emerging from the different exchange rates used for the income statement with respect to the balance sheet are recorded directly in equity and are shown separately in one of its specific reserves. At the time of disposal of a foreign economic entity, the accumulated foreign exchange differences recorded in the shareholders' equity in a specific reserve will be recognised in the Income Statement.

REVENUE RECOGNITION

Revenues are recognised to the extent that it is possible to reliably determine their value and it is probable that the relevant economic benefits will be achieved by Acea SpA and are valued at the fair value of the consideration received or receivable depending on the type of transaction. Revenues are recognised on the basis of specific criteria set out below:

Sale of goods

Revenues are recognised when the significant risks and rewards of ownership of the assets are transferred to the purchaser.

Provision of services

Revenues are recorded with reference to the stage of completion of the activities on the basis of the same criteria as those for contract work in progress. In the event that the value of revenues cannot be reliably determined, the latter are recognised up to the amount of the costs incurred which are deemed to be recovered.

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item investment income.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met. Contributions received for specific plants whose value is recorded under fixed assets are recorded among other non-current liabilities and progressively released to the Income Statement in constant instalments over a period equal to the useful life of the reference asset.

Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet.

Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

COSTS RELATED TO BORROWING

Costs related to the assumption of loans directly attributable to the acquisition, construction or production of assets that necessarily require a significant period of time before being ready for use or sale, are included in the cost of these assets, up until where they are ready for use or sale. The proceeds from the temporary liquidity investment obtained from the aforementioned loans are deducted

from capitalised interest. All other charges of this nature are recognised in the Income Statement when they are incurred.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded. The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.

Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.

Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.

Current taxes are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).

Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.

Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is relieved. Deferred taxes are charged directly to the Income Statement, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are also recognised in equity.

TANGIBLE ASSETS

Tangible assets are recognised at cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses.

The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. Assets composed of components of a significant amount with a different useful life.

The costs for improvements, modernisation and transformation that increase the value of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.

Land, whether free of construction or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset by applying the following percentage rates

Description	Economic-technical depreciation rate	
	Min	Max
Instrumental systems and equipment	1.25%	6.67%
Non-instrumental systems and equipment	4%	
Instrumental industrial and commercial equipment	2.5%	6.67%
Non-instrumental industrial and commercial equipment	6.67%	
Other capital goods	12.50%	
Other non-capital goods	6.67%	19%
Instrumental vehicles	8.33%	
Non-instrumental vehicles	16.67%	

Systems and equipment under construction for production purposes are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, for some assets, financial charges capitalised in accordance with the Company's accounting policies. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests. Tangible assets are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of individual tangible assets or, possibly, at the level of the cash-generating unit.

Assets held as financial leases are depreciated in relation to their estimated useful life as for assets held as property or, if lower, based on the expiry dates of leases.

Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and / or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The percentages applied are between a minimum of 1.67% and a maximum of 11.11%.

Real estate investments are eliminated from the financial statements when they are sold or when the investment property is permanently unusable and no future economic benefits are expected from its possible sale.

The sale of real estate which results in the leaseback of the assets is recorded on the basis of the substantial nature of the transaction considered as a whole. In this regard, reference is made to what has been explained regarding Leases.

Any profit or loss deriving from the elimination of an investment property is recorded in the Income Statement in the year in which the elimination takes place.

INTANGIBLE ASSETS

Purchases separated or deriving from business combinations

Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The useful life of intangible assets can be qualified as definite or indefinite.

Intangible assets with an indefinite useful life are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of the individual intangible asset or, possibly, at the level of the cash-generating unit.

The useful life is reviewed annually and any changes, where possible, are made by means of analytical tables.

Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

RESEARCH AND DEVELOPMENT COSTS

Research costs are allocated to the income statement when incurred. Development costs incurred in relation to a given project are capitalised when their future recovery is deemed reasonably certain. Following initial recognition of development costs, these are valued using the cost criterion that can be decreased by any accumulated depreciation or loss.

Any capitalised development costs are depreciated for the entire period in which expected future revenues will be shown in respect of the project itself. The carrying value of development costs is reviewed annually for the performance of an adequacy analysis for the purpose of detecting any impairment losses when the asset is not yet in use, or more closely when an indicator during the period exercise may raise doubts about the recoverability of the carrying amount.

TRADEMARKS AND PATENTS

These are initially recognised at purchase cost and depreciated on a straight-line basis based on their useful life.

With regard to depreciation rates, please note that:

- development costs are depreciated over a period of five years in relation to the residual possibility of use
- costs for intellectual property rights are amortized on the basis of a presumed period of three years.

RIGHT OF USE

This item contains assets relative to application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements).

The right to use the leased asset (“Right of Use”) and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value;
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases — including renewals — will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease com-

ponent of mixed contracts, therefore choosing to treat these contracts as a lease.

For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody’s. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure.

The test consists of a comparison between the carrying amount of the asset and its estimated value in use — VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the “VIU” is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.

Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses.

The determination of the “VIU” is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve.

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EQUITY INVESTMENTS

Investments in subsidiaries and associates are recorded in the balance sheet at the adjusted cost of any impairment losses on the individual equity investments. The cost of acquisition or subscription, for those relating to contributions, corresponds to the value determined by the experts in the estimate pursuant to art. 2343 of the Italian Civil Code.

The excess of the acquisition cost compared to the share of the investee's shareholders' equity expressed at current values is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment tests and possibly written down. Losses in value are not subsequently restored if the reasons for such devaluation cease to exist.

Losses on equity investments relating to the amount exceeding the amount of shareholders' equity are classified in the provision for risks and charges even if there is a credit exposure and until the eventual formal waiver of the receivable. Charges for settlement of equity investments are recognised through the valuation of the investments themselves regardless of the allocation of charges in the financial statements of investee companies.

Investments in other companies, constituting non-current financial assets and not destined for trading activities, are measured at fair value if they can be determined: in this case, gains and losses deriving from the fair value measurement are booked directly to equity until the moment of the sale when all the accumulated profits and losses are charged to the profit and loss account for the period.

Investments in other companies for which fair value is not available are recorded at cost, written down for any permanent losses in value. Dividends are recognised in the Income Statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition, these dividends are recorded as a reduction in the cost of the investment itself.

TREASURY SHARES

The purchase cost of treasury shares is recognised as a decrease in equity. The effects of any subsequent transactions on these shares are also recognised directly in equity.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when Acea SpA becomes part of the instrument's contractual clauses.

TRADE RECEIVABLES AND OTHER ACTIVITIES

Trade receivables, whose expiry falls within normal commercial terms, are recorded at their nominal value reduced by an appropriate write-down to reflect the estimate of the loss on receivables. The estimate of the amounts considered non-collectable is determined based on the provisions of IFRS9, or, through the application of the expected credit loss model for the evaluation of the recover-

ability of the financial assets based on a predictive approach, based on the prediction of the counterparty's default (so-called probability of default) and of the ability to recover if the default event occurs (so-called loss given default).

Receivables from customers refer to the amount invoiced which, as at the date of this document, is still to be collected as well as the portion of receivables for revenues for the period relating to invoices to be issued subsequently.

Financial assets related to agreements for services under concession

With reference to the application of IFRIC12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that Acea has an unconditional contractual right to receive cash flows.

Financial assets

Financial assets are recognised and reversed from the financial statements on the basis of the trading date and are initially valued at cost including charges directly connected with the acquisition.

At the subsequent balance sheet dates, the financial assets that the Group intends and has the ability to hold until maturity (financial assets held to maturity) are recorded at depreciated cost using the effective interest rate method, net of write-downs, made to reflect losses in value.

Financial assets other than those held to maturity are classified as held for trading or available for sale and are valued at fair value at the end of each period.

When financial assets are **held for trading**, gains and losses deriving from changes in fair value are recognised in the profit and loss account for the period. For **available-for-sale** financial assets, the gains and losses deriving from changes in fair value are recognised directly in a separate item of equity until they are sold or impaired; at that time, the total gains or losses previously recognised in equity are charged to the profit and loss account for the period. The total loss amount must be equal to the difference between the acquisition cost and the current fair value.

In the case of securities widely traded on regulated markets (assets), the fair value is determined with reference to the stock market price listing bid price) at the end of trading on the closing date of the financial year. For investments for which a market price is not available, the fair value is determined based on the current market value of another substantially equal financial instrument or is calculated based on the expected future cash flows of the net assets underlying the investment.

Purchases and sales of financial assets, which involve delivery within a period of time generally defined by the regulations and conventions of the market in which the exchange takes place, are recorded on the trading date, i.e. on the date on which the Group has assumed the commitment to purchase / sell these assets.

The initial recognition of non-derivative financial assets, not listed on active markets and having fixed or determinable payment flows, is carried at fair value.

Subsequent to initial recognition they are valued at depreciated cost based on the effective interest rate method.

At each balance sheet date, the Group checks whether a financial asset or group of financial assets has suffered an impairment. A financial asset or group of financial assets is considered to be subject

to impairment if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and which have an impact on the estimated reliable future cash flows. The evidence of impairment derives from the presence of indicators such as financial difficulties, the inability to meet obligations, insolvency in the payment of important payments, the probability that the debtor fails or is subject to another form of reorganisation and the presence of objective data that indicates a measurable decrease in estimated future cash flows.

CASH AND CASH EQUIVALENTS

This item includes cash and bank current accounts and deposits repayable on demand and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

FINANCIAL PAYABLES AND OTHER LIABILITIES

Financial liabilities

Financial liabilities are measured using the depreciated cost criterion. In particular, the costs incurred for the acquisition of loans (transaction costs) and any issue premium and discount are directly adjusted by the nominal value of the loan. Consequently, net financial charges are restated on the basis of the effective interest rate method.

FINANCIAL DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised at cost and adjusted to the fair value on subsequent closing dates. They are designated as hedging instruments if a relationship between the derivative and the subject of the formally documented hedge exists and the effectiveness of the hedge, verified periodically, is high.

When hedging derivatives cover the risk of changes in fair value being hedged (fair value hedge), derivatives are measured at fair value and the relevant effects recorded in the profit and loss account; the adjustment to fair value of the assets or liabilities subject to hedge accounting is also consistently recorded in the profit and loss account.

When hedged is the risk of changes in the cash flows of hedged items (Cash Flow Hedge), the change in fair value for the party qualified as effective are recognised in equity, while the ineffective portion is recognised directly in the profit and loss account.

TRADE PAYABLES

Trade payables, whose expiry falls within normal commercial terms, are recognised at their nominal value.

ELIMINATION OF FINANCIAL INSTRUMENTS

Financial assets are eliminated from the financial statements when Acea SpA loses all the risks and the right to the perception of the cash flows connected to the financial activities.

A financial liability (or part of a financial liability) is eliminated from the balance sheet when, and only when, it is extinguished, or in other words, when the obligation specified in the contract is fulfilled or cancelled or has expired.

If a previously issued debt instrument is repurchased, the debt is extinguished, even if it is intended to resell it in the near future. The difference between the carrying amount and the payment paid is recorded in the profit and loss account.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when Acea has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.

The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date, and if the effect is significant.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is recognised in the Income Statement under the item "Financial income/(charges)".

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2021

Amendments to IFRS4 Insurance Contracts - Deferral of IFRS9

On 25 June 2020, the IASB published an extension of the temporary exemption on application of IFRS9, bringing the date to 1 January 2023, offering the possibility of aligning measurement criteria for financial instruments to the new accounting standard IFRS17 to measure and recognise insurance contracts.

Amendments to IFRS9, IAS 39, IFRS7 and IFRS16 – Interest Rate Benchmark Reform - Phase 2

Issued in August 2020, these supplement the previous amendments issued in 2019 (Interest Rate Benchmark Reform – Phase 1) and address issues that could impact the financial reporting after a reference benchmark has been reformed or replaced with an alternative reference rate due to the reform. The objectives of the Phase 2 amendments are to assist companies in applying the IFRSs when changes are made to the contractual cash flows or to the hedging relationships owing to the reform of the benchmark indices for determining the interest rates and in providing useful information to users of the financial statements. The amendments will require companies to provide additional information on their exposure to

the risks deriving from the Reform of Benchmarks for determining the interest rates on the related risk management activities.

Amendments to IFRS16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021

Issued on 31 March 2021, it widens a practical expedient already issued in May 2020 (“Amendments to IFRS16 Leases Covid-19 – Related Rent Concessions”) aimed at allowing the possibility for the lessee not to consider as amendments to the lease any concessions recognised as a result of Covid-19 (e.g. suspension of rent payments). The lessee may therefore exempt itself from revising numerous contracts and need not redefine the respective lease liabilities by means of a new discount rate since it can treat such changes in a manner that does not involve a lease modification. This expedient increases the period of admissibility for the application of the same by 12 months from 30 June 2021 to 30 June 2022 and will be applicable to lessees and not to lessors.

The amendments and standards mentioned did not have any significant impact for the Acea Group on the financial statements nor did they require particular disclosures.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

IFRS17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main

change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 – Comparative Information

Issued on 9 December 2021, this makes it possible to facilitate better comparability of the data in relation to information on financial instruments measured according to IFRS17. The applicability of the latter requires, on First Time Application, the activity of “restating” the comparative data in order to guarantee the uniformity of the financial disclosure. The standard IFRS9 instead allows but does not require the restatement of the comparative data, precluding however the possibility of applying the measurement criterion to financial assets derecognised in the previous period. This option guarantees, therefore, the possibility of eliminating temporary accounting misalignments in measuring financial assets and liabilities deriving from insurance contracts. It also contributes to improving the usefulness of the comparative information for users of the financial statements. The amendments are applicable from the financial years beginning 1 January 2023.

Amendment to IFRS3 Business Combinations

Issued on 14 May 2020, it updates the reference in IFRS3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

Amendment to IAS 16 Property, Plant and Equipment

Issued on 14 May 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss.

Annual Improvements 2018-2020

Issued on 14 May 2020, it includes amendments to:

- IFRS1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section

B3.3.6 when assessing whether to eliminate a financial liability;

- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted.
- The Illustrative Examples accompanying IFRS16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

Amendments will be applicable from the financial years beginning 1 January 2022.

INCOME STATEMENT

Ref. note		2021	Of which related party transactions	2020	Of which related party transactions	Change
1	Revenue from sales and services	160,125,381	160,125,381	152,204,994	151,973,875	7,920,386
2	Other revenue and proceeds	12,486,057	9,260,368	12,589,299	8,457,567	(103,242)
	Net revenues	172,611,438	169,385,748	164,794,294	160,431,443	7,817,144
3	Personnel costs	61,862,387	0	61,556,837	0	305,550
4	Costs of materials and overhead	153,456,601	49,877,016	142,199,229	50,313,262	11,257,372
	Operating costs	215,318,988	49,877,016	203,756,066	50,313,262	11,562,922
	EBITDA	(42,707,550)	119,508,732	(38,961,772)	110,118,181	(3,745,778)
5	Net write-downs (write-backs) of trade receivables	24,270	0	(299,976)	0	324,246
6	Depreciation, amortisation and provisions	29,944,261	0	23,583,937	0	6,360,324
	Operating profit/(loss)	(72,676,081)	119,508,732	(62,245,733)	110,118,181	(10,430,348)
7	Financial income	90,390,382	89,597,598	99,268,436	98,623,155	(8,878,054)
8	Financial charges	(60,090,159)	1,181,938	(66,107,845)	(3,614,502)	6,017,686
9	Profit/(Loss) on equity investments	213,791,145	213,791,145	204,179,429	204,179,429	9,611,716
	Profit/(loss) before tax	171,415,287	424,079,413	175,094,287	409,306,263	(3,679,000)
10	Income tax	(5,624,678)	(99,067,413)	(2,666,595)	(96,560,113)	(2,958,083)
	Net result of continuing operations	177,039,965	523,146,826	177,760,882	505,866,376	(720,917)

Amounts in €

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2021	2020	Change
Net profit/(loss) for the period	177,040	177,761	(721)
Provision for exchange rate difference	5,715	5,740	(25)
Tax on exchange rate difference	(1,372)	(1,378)	6
Gains/losses from exchange rate difference	4,344	4,363	(19)
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	1,268	(4,191)	5,458
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(304)	1,006	(1,310)
Profit/(loss) from the effective portion on hedging instruments, net of tax	963	(3,185)	4,148
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	317	2,335	(2,017)
Tax effect on the other actuarial profit/(loss) on staff benefits	(94)	(690)	597
Actuarial profit/(loss) on defined benefit pension plans, net of tax	224	1,644	(1,421)
Total of the comprehensive income components, net of tax	5,531	2,822	2,708
Total comprehensive profit/(loss)	182,570	180,583	1,987

All components are reclassifiable in the income statement.

STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
11	Fixed assets	109,998,020	0	102,010,291	0	7,987,729
12	Real estate investments	2,313,973	0	2,372,330	0	(58,358)
13	Intangible fixed assets	50,024,832	0	40,235,472	0	9,789,360
14	Copyright	13,713,354	0	17,626,323	0	(3,912,969)
15	Equity investments in subsidiaries and associates	1,967,610,627	0	1,839,964,043	0	127,646,584
16	Other equity investments	2,350,061	0	2,350,061	0	0
17	Deferred tax assets	15,936,874	0	17,898,220	0	(1,961,345)
18	Financial assets	3,381,710,587	3,381,496,732	2,679,957,119	2,638,995,830	701,753,468
	NON-CURRENT ASSETS	5,543,658,328	3,381,496,732	4,702,413,860	2,638,995,830	841,244,468
19.a	Trade receivables	179,359,457	178,870,393	136,551,598	135,886,284	42,807,860
19.b	Other current assets	34,243,368	10,794,407	56,457,645	32,220,901	(22,214,278)
19.c	Current tax assets	5,763,984	0	0	0	5,763,984
19.d	Current financial assets	656,858,285	382,044,891	772,488,044	542,520,554	(115,629,760)
19.e	Cash and cash equivalents	441,537,965	0	418,505,229	0	23,032,736
19	CURRENT ASSETS	1,317,763,059	571,709,691	1,384,002,516	710,627,739	(66,239,457)
	TOTAL ASSETS	6,861,421,387	3,953,206,423	6,086,416,376	3,349,623,569	775,005,011

Amounts in €

Ref. note	LIABILITIES	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
	Shareholders' Equity					
20.a	Share capital	1,098,898,884	0	1,098,898,884	0	0
20.b	Legal reserve	138,648,876	0	129,760,832	0	8,888,044
20.c	Other reserves	83,510,169	0	77,979,641	0	5,530,528
	Retained earnings/(losses)	158,041,511	0	159,206,999	0	(1,165,488)
	Profit (loss) for the year	177,039,965	0	177,760,882	0	(720,917)
20	Total equity	1,656,139,405	0	1,643,607,238	0	12,532,167
21	Staff termination benefits and other defined benefit plans	20,334,441	0	21,500,228	0	(1,165,787)
22	Provision for liabilities and charges	15,024,375	0	16,202,936	0	(1,178,561)
23	Borrowings and financial liabilities	4,518,587,572	116,730,000	3,710,654,961	0	807,932,611
24	Other liabilities	2,292,157	0	0	0	2,292,157
	NON-CURRENT LIABILITIES	4,556,238,545	116,730,000	3,748,358,126	0	807,880,419
25.a	Borrowings	393,135,128	323,877,941	429,492,050	255,328,218	(36,356,922)
25.b	Payables to suppliers	222,153,522	106,226,888	224,036,408	106,952,791	(1,882,885)
25.c	Tax payables	0	0	13,969,410	0	(13,969,410)
25.d	Other current liabilities	33,754,786	9,442,477	26,953,145	3,272,632	6,801,641
25	CURRENT LIABILITIES	649,043,437	439,547,306	694,451,013	365,553,641	(45,407,576)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,861,421,387	556,277,306	6,086,416,376	365,553,641	775,005,011

Amounts in €

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscellaneous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 31 December 2019	1,098,899	119,336	102,567	691	(16,877)	(11,602)	379	126,931	208,488	1,628,812
Balance as at 1 January 2020	1,098,899	119,336	102,567	691	(16,877)	(11,602)	379	126,931	208,488	1,628,812
Income statement profit	-	-	-	-	-	-	-	-	177,761	177,761
Other comprehensive income (loss)	-	-	-	4,363	(3,185)	1,644	-	-	-	2,822
Total comprehensive income (loss)	-	-	-	4,363	(3,185)	1,644	-	-	177,761	180,583
Allocation of result for 2019	-	10,424	-	-	-	-	-	198,064	(208,488)	-
Distribution of dividends	-	-	-	-	-	-	-	(165,717)	-	(165,717)
Balance as at 31 December 2020	1,098,899	129,761	102,567	5,053	(20,062)	(9,958)	379	159,207	177,761	1,643,607

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscellaneous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 31 December 2020	1,098,899	129,761	102,567	5,053	(20,062)	(9,958)	379	159,207	177,761	1,643,607
Balances as at 1 January 2021	1,098,899	129,761	102,567	5,053	(20,062)	(9,958)	379	159,207	177,761	1,643,607
Income statement profit	-	-	-	-	-	-	-	-	177,040	177,040
Other comprehensive income (loss)	-	-	-	4,344	963	224	-	-	-	5,531
Total comprehensive income (loss)	-	-	-	4,344	963	224	-	-	177,040	182,570
Allocation of result for 2020	-	8,888	-	-	-	-	-	168,873	(177,761)	-
Distribution of dividends	-	-	-	-	-	-	-	(170,038)	-	(170,038)
Balance as at 31 December 2021	1,098,899	138,649	102,567	9,397	(19,099)	(9,734)	379	158,042	177,040	1,656,139

CASH FLOW STATEMENT

Ref. note	€ thousand	31/12/2021	Related parties	31/12/2020	Related parties	Change
Cash flow from operating activities						
	Profit before tax	171,415		175,094		(3,679)
6	Depreciation and amortisation	24,659		17,457		7,202
5	Revaluations/Impairment charges	3,361		(298)		3,659
22	Increase/(decrease) in provisions for liabilities	(1,179)		321		(1,500)
21	Net change in the provision for employee benefits	(1,506)		(4,317)		2,811
7-8	Net financial interest	(247,428)		(237,342)		(10,086)
	Income taxes paid	(112,634)		(75,243)		(37,390)
	Cash flow generated by operating activities before changes in working capital	(163,310)	0	(124,327)	0	(38,983)
20	Increase/Decrease in receivables included in current assets	(42,832)	21,558	(37,646)	60,083	(5,186)
24.b	Increase/Decrease in payables included in the working capital	3,566	0	46,955	(97,829)	(43,389)
	Change in working capital	(39,266)	21,558	9,309	(37,746)	(48,575)
	Change in other assets/liabilities during the period	63,617	0	37,809	0	25,807
	TOTAL CASH FLOW FROM OPERATING ACTIVITIES	(138,959)	21,558	(77,209)	(37,746)	(61,750)
Cash flow from investment activities						
11-12	Purchase/sale of tangible fixed assets	(14,839)		(8,955)		(5,884)
13	Purchase/sale of intangible fixed assets	(23,437)		(23,123)		(314)
15-16	Equity investments	(129,765)		(19,732)		(110,032)
	Collections/payments deriving from other financial investments	(589,531)	582,025	(543,176)	415,212	(46,354)
	Dividends received	217,128	217,128	204,181	204,181	12,947
	Interest income received	94,200	0	103,281	0	(9,081)
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(446,243)	799,153	(287,524)	619,394	(158,719)
Cash flow from financing activities						
23	Repayment of mortgages and medium/long-term borrowings	(207,222)		(462,775)		255,553
23	Provision of mortgages/other medium/long-term loans	1,016,730	116,730	599,900	0	416,830
25.a	Decrease/Increase in other financial debts	(54,305)	(68,550)	109,000	(90,863)	(163,304)
	Interest expense paid	(63,831)		(69,961)	0	6,129
	Dividends paid	(83,137)	(83,137)	(81,071)	(81,071)	(2,066)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	608,235	(34,956)	95,093	(171,934)	513,141
	Cash flow for the period	23,033	764,197	(269,639)	409,714	292,672
	Net opening balance of cash and cash equivalents	418,505		688,145		(269,639)
	Cash availability from acquisition	0		0		0
	Net closing balance of cash and cash equivalents	441,538		418,505		23,033

NOTES TO THE INCOME STATEMENT

REVENUES

1. Revenue from sales and services – € 160,125 thousand

Revenues from sales and services are as follows:

€ thousand	2021	2020	Change
Revenue from customer services	32,375	33,897	(1,521)
- of which Roma Capitale Public Lighting service	32,368	33,666	(1,298)
- of which other revenues	7	231	(224)
Revenues from intragroup services	127,750	118,308	9,442
- of which service contracts	96,119	101,873	(5,754)
- of which other services	31,631	16,435	15,196
Revenue from sales and services	160,125	152,205	7,920

The reduction in revenues from customer services of € 1,521 thousand is attributable for € 1,298 thousand to the reduction in the consideration for the public lighting service performed in the Municipality of Rome. The reduction in revenue can be attributed to the reduction in extraordinary maintenance activities and in constructions of new plants offset in part by an increase in the fee for the electricity component in relation to the market trends. The extraordinary maintenance, modernisation and safety activities were carried on according to what was agreed with Roma Capitale.

Revenues from intragroup services recorded an overall increase of € 9,442 thousand. This change derives from the combined effect of the reduction in fees for service activities provided to Group

Companies due to a change in the contract and in the scope of services rendered (-€ 5,754 thousand), offset by an increase in re-invoicing and administrative, financial, legal and technical services (+€ 15,196 thousand).

Please see the subsequent section on Relations with Roma Capitale for more information on the Public Lighting contract.

2. Other revenues and income – € 12,486 thousand

These decreased by € 103 thousand compared to 31 December 2020. The reduction in revenue originated from the combined effect of several phenomena presented in the table below.

€ thousand	2021	2020	Change
Non-recurring gains	1,779	2,420	(640)
Other revenues	1,878	1,702	175
Refunds for damages, penalties, collateral	36	215	(179)
Regional grants	183	13	171
Seconded personnel	4,901	4,645	257
Real estate income	1,150	847	303
Recharged cost for company officers	2,559	2,748	(189)
Other revenue and proceeds	12,486	12,589	(103)

COSTS

3. Personnel costs – € 61,862 thousand

€ thousand	2021	2020	Change
Personnel costs including capitalised costs	68,526	66,549	1,976
Staff employed in projects	(4,159)	(3,535)	(624)
Costs capitalised for personnel	(2,504)	(1,458)	(1,047)
Personnel costs	61,862	61,557	306

The change in personnel costs, including capitalised costs of € 1,976 thousand derives from the average outstanding amounts, as also highlighted in the table below, offset in part by the reduction in costs for redundancy, mobility and early retirement incentives.

The cost of personnel is netted, not only of capitalised costs of € 2,504 thousand (+€ 1,047 thousand compared to 2020) but also of € 4,159 thousand (+€ 624 thousand compared to 31 De-

cember 2020) representing the total amount of personnel costs used in the IT projects for all group companies participating in the “communion” of the IT platform.

The following table shows the average and final number of employees by category, compared to the previous year.

€ thousand	Average number of employees			End-of-period composition		
	2021	2020	Change	2021	2020	Change
Senior executives	53	51	3	51	56	(5)
Middle managers	167	169	(2)	179	168	11
Clerical staff	463	458	5	452	456	(4)
Blue-collar workers	21	22	(1)	21	20	1
Total	704	700	5	703	700	3

4. External costs – € 153,457 thousand

Compared to 31 December 2020, external costs increased by a total of € 11,257 thousand. The composition and changes in external costs by nature are presented below.

€ thousand	2021	2020	Change
Materials	3,084	2,657	427
Services and contract work	139,596	128,813	10,783
Cost of leased assets	3,331	3,126	205
Other operating costs	7,445	7,603	(158)
Costs of materials and overhead	153,457	142,199	11,257

€ thousand	2021	2020	Change
Technical and Administrative Services (including consulting and collaborations)	40,191	33,133	7,058
Contract work	9,123	7,423	1,700
Other services	9,321	7,060	2,260
Disposal and transport of sludge, slag, ash and waste	77	46	32
Personnel services	6,401	4,240	2,161
Insurance costs	1,047	750	297
Electricity, water and gas consumption	20,031	15,396	4,635
- of which electricity consumption Roma Capitale Public Lighting service	16,743	12,988	3,755
Intragroup services and otherwise	19,108	25,203	(6,095)
- of which Public Lighting, Roma Capitale	19,070	25,038	(5,968)
Telephone and data transmission costs	1,216	831	385
Postal expenses	647	915	(269)
Maintenance fees	10,616	13,831	(3,214)
Cleaning, transport and portorage costs	4,432	4,089	343
Advertising and sponsorship costs	7,368	7,033	335
Corporate bodies	991	906	85
Bank charges	1,120	1,178	(58)
Travel and accommodation expenses	143	112	31
Seconded personnel	7,645	6,580	1,065
Printing expenses	119	88	31
Costs for services	139,596	128,813	10,783

€ thousand	2021	2020	Change
Rent charges	187	692	(505)
Other rentals and fees (use of third party assets)	3,143	2,433	710
Cost of leased assets	3,331	3,126	205

€ thousand	2021	2020	Change
Taxes and duties	2,124	1,893	231
Damages and outlays for legal disputes	242	381	(139)
Contributions paid and membership fees	2,517	2,336	181
General expenses	2,084	1,486	598
Contingent liabilities	478	1,508	(1,030)
Other operating costs	7,445	7,603	(158)

As regards the € 11,257 thousand increase in external costs, the following contributed to this:

- higher costs for technical and IT as well as administrative advice and services of € 7,058 thousand which include several projects related to the industrial areas regularly re-invoiced during the year;
- higher costs for personnel services of € 2,161 thousand in relation to the COVID emergency among which € 1,800 thousand for all the costs of managing the Piazzale Ostiense vaccine hub;
- higher external costs paid on behalf of Group companies, covered by corresponding portions of higher re-invoicing to the same;
- a reduction in costs for software and hardware maintenance fees (-€ 3,214 thousand) relating to the management of the IT platform in common with other the group companies;
- an increase in electricity consumption of € 4,512 thousand of which € 3,755 thousand related to the Roma Capitale Public Lighting Service; these increases are attributable to the trends in energy market prices;
- a € 5,968 thousand reduction in fees to areti for services related to Public Lighting Service management due to the reduction in extraordinary maintenance activities and the construction of new plants. The extraordinary maintenance, modernisation and safety activities were carried on according to what was agreed with Roma Capitale. This reduction can be put in direct cor-

relation with the reduction of the corresponding revenue from Roma Capitale;

- greater costs for personnel seconded to other Group companies for € 1,065 thousand.

Please note that other rentals and charges refer mainly to hardware and software for the company data centre.

Please note that, pursuant to art. 149-*duodecies* of the CONSOB Issuer Regulations, the fees accrued by the PwC Auditing Company are shown in the table below.

€ thousand	Audit Related Service	Audit Services	Non-Audit Services	Total
Acea SpA	185	195	201	581

Please note that the above fees refer to assignments for the year 2021 entrusted up to 31 December 2021.

5. Net write-downs (write-backs) of trade receivables – € 24 thousand

The balance of the account consists of the provisions set aside for the impairment of financial receivables from Sienergia.

6. Depreciation, amortisation and provisions – € 29,944 thousand

€ thousand	2021	2020	Change
Amortisation and depreciation	24,659	17,457	7,202
Provision for risks and charges	5,285	6,127	(842)
Total	29,944	23,584	6,360

Amortisation and depreciation totalled € 24,659 thousand and mainly refer for € 12,817 thousand to intangible assets, for € 6,728 thousand to property, plant and equipment and for € 5,055 thousand to the application of IFRS16. The increase in

amortisation related to intangible fixed assets can be attributed to the IT projects that came into operation between the end of last year and the beginning of the current year and to new developments.

Provisions set aside for risks amounted to € 5,285 thousand. The following are their composition by nature and their effects:

€ thousand	2021	2020	Change
Legal	930	1,509	(580)
Contributory risks	4	6	(2)
Total provisions for risks	951	1,516	(565)
Early retirements and redundancies	4,519	4,806	(287)
Total provisions	4,519	4,806	(287)
Release of provisions	(185)	(195)	10
Total	5,285	6,127	(842)

Compared to the previous year, an overall decrease was seen in the provisioning, due to lower amounts set aside for early retirements and redundancies and for legal disputes.

For further details, please see the information provided in the paragraph “Update on major disputes and litigation” in this document.

7. Financial income – € 90,390 thousand

€ thousand	2021	2020	Change
Income from intragroup relations	89,273	98,206	(8,933)
Bank interest income	34	27	7
Interest on other receivables and short-term loans	759	606	154
Financial income from discounting to present value	325	430	(105)
Financial income	90,390	99,268	(8,878)

The decrease in financial income of € 8,878 thousand is attributable for € 8,933 thousand to income from intragroup trans-

actions mainly due to the decrease in interest on the revolving credit line.

8. Financial expenses – € 60,090 thousand

€ thousand	2021	2020	Change
Costs (Income) on Interest Rate Swaps	4,749	4,974	(225)
Interest on bonds	54,395	55,577	(1,182)
Interest on medium/long-term borrowings	1,412	1,204	209
Interest on short-term debt	313	5	308
Default interest and interest on deferred payments	25	40	(15)
Interest cost net of actuarial gains and losses	68	160	(91)
IFRS16 financial charges	372	533	(160)
Other financial charges	31	(1)	33
Foreign exchange gains (losses)	(1,276)	3,618	(4,894)
Financial charges	60,090	66,107	(6,017)

The reduction in financial expenses of € 6,017 thousand derives mainly from lower interest on bond loans (-€ 1,182 thousand) and from exchange gains of € 1,315 thousand in relation to the measurement at the Acea International exchange rate in part offset by an exchange loss of € 31 thousand of Aguazul Bogotá. The change in interest on bond loans includes the effect of the loss of

interest accrued on the bond loan repaid in February 2020, partially offset by interest on the new issues (Green Bond) of January 2021.

With reference to the average cost of Acea’s debt, there was a decrease compared to the previous year, having risen from 1.47% in 2020 to 1.42% in 2021.

9. Income / Expenses from equity investments – € 217,128 thousand

Income from equity investments, net of expenses from equity investments, which amounted to € 5,103 thousand, totalled

€ thousand	2021	2020	Change
Acea Ato2	60,830	53,270	7,560
Areti	117,242	110,137	7,105
Acea Elabari	12,408	19,618	(7,210)
Acea Ambiente	3,070	2,547	523
Acque Blue Fiorentina	10,912	5,229	5,683
Acea Produzione	1,547	1,257	289
Aquaser	2,306	2,620	(314)
Acea8Cento	0	220	(220)
Acea International	1,471	1,077	394
Intesa Aretina	162	452	(291)
Geal	0	384	(384)
Acque Blue Arno Basso	497	1,791	(1,294)
Ingegnerie Toscane	91	219	(127)
Acea Energia	6,593	5,361	1,233
Total	217,128	204,181	12,947

Expenses from equity investments refer to the write-down of the investment in Acea Ato5, as described in detail in the item Investments in subsidiaries and associates.

€ 213,791 thousand, recording an increase of € 9,612 thousand. A breakdown of income from equity investments is given below.

This item is completed by the amount of € 1,766 thousand relating to the closure of the liquidation of Crea SpA.

10. Income taxes – € - 5,625 thousand

Total taxes amount to -€ 5,625 thousand (€ 2,667 thousand at 31 December 2020). In particular, the tax calculation is affected by the tax law applicable to the tax treatment of the collected dividends, the provisions for the provision for risks, as well as the deductibility of the interest expense of Acea for the Group tax consolidation. Income taxes for the year have an impact on the pre-tax result of 3.28%.

The balance consists of the algebraic sum of the following items.

Current taxes

Current taxes amounted to € 92,691 thousand (€ 94,218 thousand as at 31 December 2020) and refer to consolidated IRES calculated on the sum of taxable income and tax losses of the companies consolidated on a tax basis and IRAP.

It should be noted that this effect is cancelled by the recognition of income deriving from the attribution of the taxable income of the companies participating in the tax consolidation.

This effect is summarised in the table below what shows the reconciliation between the theoretical and actual rates.

	2021	%	2020	%
Pre-tax result of continuing operations	171,415		175,094	
Expected tax charge at 24% on profit before tax	41,140	24.0%	42,023	24.0%
Permanent differences *	(46,764)	(27.28%)	(44,689)	(25.52%)
IRES for the period **	(5,625)	(3.28%)	(2,667)	(1.52%)
IRAP for the period **	0	0.0%	0	0.0%
Taxes on the operating income of continuing operations	(5,625)	(3.28%)	(2,667)	(1.52%)

(*) They mainly include the taxed portion of dividends.

(**) Including deferred tax.

Deferred taxes

Net deferred tax assets decreased taxes by € 809 thousand (€ 1,934 thousand at 31 December 2020) and consisted of the algebraic sum of provisions (€ 3,441 thousand) mainly on the provision for risks, the allowance for doubtful receivables, depreciation and amortisation, as well as provisions for defined benefit plans and utilisations (€ 2,632 thousand). Deferred tax liabilities increased by € 1,560 thousand and relate only to provisions.

Charges and income from tax consolidation

These amount to € 99,067 thousand (€ 96,560 thousand as at 31 December 2020) and represent the positive balance between the tax charges that the Parent Company has towards tax consolidation companies against the transfer of tax losses (€ 5,685 thousand) and the tax income recorded as a counterpart of the taxable income transferred to the consolidated company (€ 104,752 thousand).

The compensation for the loss, as per the general consolidation regulation, is determined by applying the current IRES rate to the amount of the tax loss transferred.

The table below shows the reconciliation between the theoretical and actual tax rates.

NOTES TO THE BALANCE SHEET – ASSETS

11. Fixed assets – € 109,998 thousand

This item shows an increase of € 7,988 thousand compared to the value of 31 December 2020. The change mainly refers to the net effect caused by investments, totalling € 14,839 thousand, and depreciation which amounted to € 6,728 thousand.

Investments during the period include the Telecontrol devices of the public lighting network in Rome, created by Acea at the request of Roma Capitale in fulfilment of the service contract. We can note that in June 2021 the plot of land adjacent to the Piazzale Ostiense headquar-

ters used as a car park was purchased by ATAC SpA, with a competitive procedure for € 1,557 thousand including the notarial expenses.

The other investments mainly relate to extraordinary maintenance on the offices used for business activities, in addition to the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network and computers.

The table below summarises the changes occurred in the period.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Total property, plant and equipment
Historical cost 31 December 2020	103,102	33,022	13,823	59,913	1,639	211,499
Investments/Acquisitions	2,795	5,833	0	3,812	2,398	14,839
Disinvestments	0	0	0	0	(82)	(82)
Other changes	0	0	43	321	(405)	(41)
Historical cost 31 December 2021	105,898	38,854	13,865	64,047	3,551	226,215
Accumulated depreciation at 31 December 2020	(24,668)	(18,983)	(13,086)	(52,752)	0	(109,488)
Depreciation/amortisation and impairment losses	(1,999)	(2,784)	(254)	(1,691)	0	(6,728)
Disinvestments	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Accumulated depreciation at 31 December 2021	(26,667)	(21,767)	(13,340)	(54,443)	0	(116,217)
Net value 31 December 2021	79,231	17,087	525	9,603	3,551	109,998

12. Real estate investments – € 2,314 thousand

These amount to € 2,314 thousand, a reduction of € 58 thousand due to the depreciation of the year and consist mainly of land and buildings not used for production and held for rental purposes.

effect between investments, € 23,437 thousand, and amortisation which amounted to € 12,817 thousand.

Investments mainly concerned the purchase and development of software to support the development of systems for managing IT platforms, corporate security and administrative management.

13. Intangible fixed assets – € 50,025 thousand

The change, a total of € 9,790 thousand, mainly refers to the net

Below is a summary of the changes occurred during the period:

€ thousand	Patent rights	Concessions	Investments in progress	Total Intangible fixed assets
Net value 31 December 2020	23,425	0	16,810	40,235
Investments/Acquisitions	19,107	0	4,330	23,437
Disinvestments	0	0	(830)	(830)
Other changes	14,877	0	(14,877)	0
Depreciation and amortisation	(12,817)	0	0	(12,817)
Net value 31 December 2021	44,591	0	5,434	50,025

14. Right of use -€ 13,713 thousand

This item includes rights to use the assets of others which, as of 1 January 2019, are recognised as leased assets and amortised over the duration of the contracts, after application of the new interna-

tional standard IFRS16. At 31 December 2021 the net book value of these assets was € 13,713 thousand.

€ thousand	31/12/2021	31/12/2020	Change
Land and buildings	12,571	16,138	(3,568)
Cars and motor vehicles	1,148	1,426	(279)
Machinery and equipment	0	0	0
Other	(5)	61	(67)
Total	13,713	17,626	(3,913)

The table below shows the changes during the period:

€ thousand	Land and buildings	Cars and motor vehicles	Other	Total
Opening balance	16,138	1,426	61	17,626
New contracts	623	581	0	1,204
Remeasurement	(37)	(24)	0	(62)
Reclassifications	0	0	0	0
Depreciation	(4,153)	(835)	(67)	(5,055)
Total	12,571	1,148	(5)	13,713

There are also no guarantees on residual value, variable payments and leases not yet signed to which Acea has committed itself for a significant amount.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item "leases and rentals" in line with the requirements of IFRS16

and in continuity with previous years.

15. Equity investments in subsidiaries and associates – € 1,967,611 thousand

These recorded an increase of € 127,647 thousand compared to 31 December 2020 and are made up as follows:

€ thousand	31/12/2021	31/12/2020	Change
Investments in subsidiaries	1,944,626	1,818,678	125,948
Investments in associated companies	22,984	21,286	1,698
Total Equity Investments	1,967,611	1,839,964	127,647

Investments in subsidiaries

Changes for 2021 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups / Write-downs	Disposals	Net value
Values at 31 December 2020					
2021 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	129,765	0	0	0	129,765
- disposals/distributions	0	0	0	(28)	(28)
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(3,788)	0	(3,788)
Total changes in 2021	129,765	0	(3,788)	(28)	125,948
Values at 31 December 2021	3,345,940	(374,890)	(64,955)	(961,469)	1,944,626

The changes occurred involve:

- € 129,765 thousand is related to the acquisition of 81% of the share capital of Acea Produzione from Acea Energia;
- € 28 thousand to the sale of 90% of the equity investment in Parco della Mistica (subsequently renamed Agile Academy) to Acquedotto del Fiora;
- € 3,788 thousand is related to the following operations:
 - (i) -€ 5,063 thousand is related to the write-down of the equity investment in Acea Ato5;
 - (ii) +€ 1,315 thousand refers to the adjustment made to the exchange rate for the equity investment in Acea International SA;
 - (iii) -€ 40 thousand is related to the write-down of the remaining equity investment in Agile Academy formerly Parco della Mistica.

For purposes of verifying the recoverable value of investments, the impairment test was carried out, pursuant to IAS 36, substantially on all its direct and indirect subsidiaries.

Below is the methodology used, as well as comments on the results of the sensitivity and impairment tests carried out. The impairment procedure for equity investments compares the carrying amount of the investment with its recoverable value, identified as the higher of value in use and fair value, net of selling costs.

The value in use represents the present value of expected cash flows that are expected to derive from the continuous use of all assets relating to the investment. The fair value, net of sales costs, represents the amount obtainable from the sale in a free transaction between knowledgeable and willing parties.

The 2021 impairment process provides the estimate of an interval relative to the recoverable value of individual investments in terms of value in use in methodological continuity with respect to the previous year, or through the financial method that recognises the ability to generate cash flows the essential element for assessing the reference entity. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital (WACC) is used. The estimate of the recoverable value of the equity investments is hence expressed in terms of value in use.

The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each equity investment subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors (VO) and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;

- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which are prudent with respect to the current context;
- the inertial evolution of the Group's costs over the course of the plan was developed by formulating hypotheses based on the set of information available at the time the plan was drawn up.

Terminal value is calculated:

- for Acea Produzione (Energy Infrastructures - Generation Area) the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.

The WACCs are substantially in line with those used for the previous impairment test, with the exception of the regulated businesses, where following the changes made in the regulatory framework a reduction in remunerations by the regulator was found.

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Main activity	Recoverable value	WACC	Terminal value	Cash flow period
Integrated Water Service management	Value in use	4.8%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	Value in use	5.6%	Regulatory Asset Base (RAB)	Until 2024
Sale of electricity and gas	Value in use	5.7%	Perpetuity	Until 2024
Intercompany services	Value in use	5.1%	Estimated to be equal to the NIC of the plan's last year.	Based on company budgets and projections that represent the best available and achievable estimates of the main assumptions about the company's operations with respect to the equity investments examined and the expected results attributable to them
Renewable energy plants	Value in use	5.2%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and services	Value in use	4.8%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	6.5%/10.1%	NIC at the end of the concession	End of the concession
Plastic recycling services	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life

To support the analysis deriving from the test, sensitivity analysis was done to identify the impact on recoverable values of goodwill based on variations in specific assumptions, so as to identify the main break-even assumptions. Based on this analysis, hypotheses regarding changes in discount rates, growth rates or a reduction in profitability were found to be unrealistic and/or immaterial with the exception of the equity investments held in Demap, Acquedotto del Fiora, ADistribuzione Gas and Energia.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the Acea Ato5 SpA subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution no. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the company has succeeded in managing the financial situation highlighted in the 2020 budget, partially mitigating the financial imbalance.

In light of the above, a specific impairment test was carried out for the investee company Acea Ato5, which resulted in an impairment loss of approximately € 5 million on the investment held by Acea SpA in Acea Ato5. This write-down entailed substantially a realignment between the value of the equity investment and the value of IAS/IFRS-adjusted shareholders' equity. The main reasons that determined the reduction in value can be attributed to the recruitments related to the 2022-2032 CCN (National Collective Agreement). The plan projections were developed taking into account the ability to collect earlier adjustments and receivables. The

cash generated will be destined to payment of earlier trade payables in keeping with the repayment plans currently defined, the payables for fees to the STO and the current payable. In addition, the DPO on Opex and Capex was taken respectively to 69 and 120. No proposal for payment of financial debts was provided for in relation to Acea. In this regard assessments of the most suitable procedures for consolidating these debts are in progress to guarantee the financial support necessary for the subsidiary to continue with its business.

The main assumptions which determined the cash flows, terminal value and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of business considerations consistent with the energy scenario developed in the business plan;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

In addition, the terminal value was calculated as the present value of the RAB and of Net Working Capital on expiry of the concession. The flows, and the terminal value determined as above were finally discounted to the regulatory WACC, which is in line with that used for the previous impairment test.

Given the various variables which affect the Acea Ato5 economic financial plan, sensitivity analysis was done based on whether or not the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether or not the economic financial rebalancing request is granted (this is based on the tariff proposal submitted by the company, but not recognised by OTAA 5). Below are the results of the sensitivity analysis, noting that the "base case" for the impairment test coincides with the upper left section of the table, which foresees 100% achievement of cost savings objectives and no benefit deriving from the actions the Company intends to undertake to obtain a tariff adjustment. This scenario was prudentially used as the base case for the impairment test considering only the elements of improvement which are under the company's control (cost savings) and not those which ultimately depend upon decisions and factors external to the company (tariff adjustment). Note that this structure does not in any way reflect an assessment of the likelihood of a tariff adjustment being recognised, which is however deemed probable in consideration of the incompatibility of the financial imbalance caused to the Operator by the new tariff structure with respect to the current legal and regulatory framework, but is only functional to the execution of the impairment test in compliance with that established under IAS 36:

Achievement of Efficiency Targets (100% = € 3.3 million at 2032)

	100%	80%	60%	40%	20%	0%	
	0%	0.45	(3.95)	(8.36)	(12.76)	(17.16)	(21.56)
	20%	6.12	1.72	(2.68)	(7.08)	(11.48)	(15.88)
Target on Tariff review	40%	11.80	7.40	3.00	(1.40)	(5.80)	(10.21)
(100% = € 51 million)	60%	17.48	13.08	8.68	4.27	(0.17)	(4.53)
	80%	23.16	18.75	14.35	9.95	5.55	1.15
	100%	28.83	24.43	20.03	15.63	11.23	6.83

Shares held in affiliate companies

These amounted to € 22,984 thousand and changed in 2021 for:

- € 1,730 thousand following the acquisition of 28.8% of the shares of Geal which were added to the 19.9% already held, as a result of the closure of the liquidation of Crea SpA which in-

volved the assignment to the Parent Company of all the assets and liabilities previously held by the Company;

- € 31 thousand adjustment to the exchange rate of the company Aguazul Bogotà.

The changes occurred during the year are shown in the table below.

Shares held in associate companies

€ thousand

	Historical cost	Reclassifications	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2020	94,405	13,600	(80,858)	(5,861)	21,286
2021 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	1,730	0	0	0	1,730
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(31)	0	(31)
Total changes in 2021	1,730	0	(31)	0	1,698
Values at 31 December 2021	96,135	13,600	(80,889)	(5,861)	22,984

16. Other equity investments – € 2,350 thousand

“Other equity investments” refer to investments in equity securities that do not constitute control, association or joint control. They remained unchanged during 2021.

17. Deferred tax assets – € 15,937 thousand

These decreased by € 1,961 thousand compared to 31 December

2020.

The following table shows the changes and the balance as at 31 December 2021, distinguishing the Assets for Prepaid Taxes from the Provision for Deferred Taxes.

With regard to the recoverability of deferred tax assets, it must be noted that the valuation of deferred tax assets was carried out on the basis of Acea’s business plans and, with regard to the time scale, considering a reasonable estimate of the reversal period.

€ thousand	31/12/2020	IRES/IRAP uses	Changes in equity	IRES/IRAP advances	31/12/2021
Prepaid taxes					
Remuneration of BoD members	11	(1)	0	4	15
Provision for liabilities and charges	3,089	(1,434)	519	1,726	3,900
Write-down of investments	0	0	0	0	0
Provision for doubtful accounts	13,758	(326)	0	1,094	14,526
Depreciation and amortisation of tangible and intangible assets	225	(68)	0	340	496
Defined benefit plans/defined contribution	4,362	(714)	(53)	277	3,871
Others	6,613	(88)	(304)	0	6,221
Total	28,058	(2,632)	162	3,441	29,029
Deferred taxes					
Deferred taxes on dividends	18	0	0	0	18
Depreciation and amortisation of tangible and intangible assets	106	0	0	39	145
Defined benefit plans/defined contribution	179	0	0	0	179
Others	9,857	0	1,372	1,521	12,749
Total	10,160	0	1,372	1,560	13,092
Net total	17,898	(2,632)	(1,210)	1,881	15,937

18. Non-current financial assets – € 3,381,711 thousand

These increased by € 701,753 thousand compared to 31 December 2020 (they were € 2,679,957 thousand). From this year this accounting item includes the portion of the current account relat-

ed to revolving loan lines destined from current financial assets to non-current financial assets. The data of 2020 have therefore been made pro-forma for a better representation. Below is the detailed table:

€ thousand	31/12/2021	31/12/2020	Change
Financial receivables from Roma Capitale	8,286	11,756	(3,471)
Financial receivables from subsidiaries	3,361,891	2,653,126	708,765
Receivables from others	11,534	15,075	(3,541)
Total	3,381,711	2,679,957	701,753

The item **Financial receivables from Roma Capitale** shows a decrease of € 3,471 thousand and refers to investments in the public lighting service, such as plant redevelopment, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond the year 2022, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

Financial receivables from subsidiaries increased by € 708,765 thousand compared to 31 December 2021.

From this year this accounting item includes the portion of current accounts related to revolving loan lines destined to the subsidiar-

ies for non-current assets. The data of 2020 have therefore been made pro-forma for a better representation.

During 2021:

- a new loan line of € 5,298 thousand was disbursed to Umbriadue through a change in the shareholders loan contract signed on 11 November 2020;
- the shareholders loan to Acea Molise, for a total of € 4,870 thousand, was reclassified to the short-term position because it expires on 31 January 2022.

These receivables are considered entirely recoverable.

€ thousand	31/12/2021	31/12/2020	Change
Receivables for centralised treasury relationships, non-current portion	3,149,951	2,441,516	708,435
Acea Ato5	187,742	187,742	0
Umbriadue Servizi Idrici	20,165	14,965	5,200
Acea Molise	0	4,870	(4,870)
Technologies for Water Service	4,000	4,000	0
Ecomed	33	33	0
Total financial receivables from subsidiaries	3,361,891	2,653,126	708,765

With reference to the receivable claimed from Acea Ato5 we can note that a number of organic and structured operations are being assessed; these could enable the subsidiary to manage the exposure in a unitary manner with a more extended time frame honouring at the same time the commitments of a financial nature.

The item **Receivables from others**, amounting to € 11,534 thousand, is composed of € 11,320 thousand from the application of the financial asset model envisaged by IFRIC12 regarding services under concession. This receivable represents all the investments made up to 31 December 2010 related to the service itself.

€ thousand	31/12/2021	31/12/2020	Change
Receivables from customers	544	726	(182)
Receivables due from the Parent Company - Roma Capitale	30	22	8
Receivables from subsidiaries and associates	178,785	135,803	42,982
Total trade receivables	179,359	136,552	42,808

Trade receivables

These amounted to € 544 thousand net of the allowance for doubtful receivables amounting to € 2,124 thousand and decreased by € 182 thousand.

Receivables included under this item refer to positions accrued in respect of private and public entities for services rendered.

Provision for doubtful debts

These total € 2,124 thousand and did not change compared to 31 December 2020. The estimate of the amounts considered

19. Current assets – € 1,317,763 thousand

These recorded a decrease of € 66,239 thousand (€ 1,384,002 thousand as at 31 December 2020) and are broken down as follows.

19.a – Trade Receivables – € 179,359 thousand

These saw an increase of € 42,808 thousand compared to 31 December 2020 (then € 136,552 thousand). Below is their composition:

non-collectable is estimated based on the provisions of IFRS9, or, through the application of the expected credit loss model for the evaluation of the recoverability of the financial assets based on a predictive approach, based on the prediction of the counterparty's default (so-called probability of default) and of the ability to recover if the default event occurs (so-called loss given default).

Receivables due from the Parent Company - Roma Capitale

The following table shows together the amounts resulting from the relations with Roma Capitale from Acea, both with regard to the

borrowing and lending due within and beyond the following year, including items of a financial nature.

€ thousand	31/12/2021	31/12/2020	Change
Receivables for services invoiced	5	5	0
Receivables for services to be invoiced	25	17	8
Total trade receivables	30	22	8
Financial receivables for Public Lighting services billed	117,133	129,336	(12,203)
Provision for doubtful debts	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	48,981	65,033	(16,052)
Provision for doubtful debts	(28,298)	(21,960)	(6,338)
M/L term financial receivables for Public Lighting services	8,286	11,756	(3,471)
Total financial receivables for Public Lighting	115,949	154,012	(38,062)
Total Receivables	115,979	154,034	(38,054)
Dividend payables	(116,220)	(128,544)	12,325
Other payables	(1,895)	(1,043)	(852)
Total payables	(118,114)	(129,587)	11,473
Total net balance receivables payables	(2,135)	24,447	(26,582)

As regards **relations with Roma Capitale**, the net balance at 31 December 2021 was a negative € 2,135, compared to the previous balance of € 24,447 thousand at 31 December 2020.

Financial receivables decreased overall by € 38,062 thousand compared to the previous period, to be attributed to the combined effect of: i) offsetting of financial receivables with payables for dividends and ii) accrual of receivables related to the public lighting service agreement, to the safety modernisation, to extraordinary maintenance and to works related to the Public Lighting service.

Below are details of the offsets:

- March 2021: receivables for € 18,623 million relating to the Public Lighting service for January-November 2020 fees were offset with Acea's share dividends for 2018;
- July 2021: receivables for € 8,906 million relating to the Public Lighting service for December 2020-January-April 2021 PL fees were offset with Acea's share dividends for 2019;
- September 2021: receivables for € 4,122 million relating to the Public Lighting service for the LED Plan were offset with Acea's share dividends for 2018;
- September 2021: receivables for € 7,214 million relating to the Public Lighting service for May-August 2021 PL fees were offset with Acea's share dividends for 2018;
- October 2021: receivables for € 7,260 million relating to the Public Lighting service for modernisation and safety years 2017 and 2018 and work for street lighting were offset with Acea's share dividends for 2018;
- November 2021: receivables for € 29,027 thousand related to the Public Lighting service, extraordinary maintenance, as an advance referred to the years from 2016 to 2020 and modernisation and safety year 2019 were offset with Acea's share dividends, balance of 2018 and part of 2019.

Payables for dividends to Roma Capitale decreased by a total of € 12,325 thousand owing mainly to offsets/payments for € 99,213 thousand plus the recognition of the new payable for Acea's share

dividends of financial year 2021 for € 86,889 thousand.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale receivables and payables. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group.

In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the Acea Group.

Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale.

As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 10,463 thousand of receivables referred to the aforementioned Report were closed.

In 2021 a new Technical Panel was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. After this work Roma Capitale paid Acea the Public Lighting receivables for € 75,290 thousand through offsets.

We remind you also that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of

the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea’s ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the

Administration’s intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting Service.

We can inform you finally that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing and the related collections.

Receivables from subsidiaries and associates

Receivables from subsidiaries and associates total € 178,785 thousand and increased by € 42,982 thousand compared to the previous year. They mainly refer to services rendered under various service contracts and receivables deriving from the allocation of costs incurred for the joint IT platform and to invoicing of IT licences and services incurred on behalf of the group companies. The difference is justified by the increase in these items. Below is their composition:

€ thousand	31/12/2021	31/12/2020	Change
Acea Ato5	54,404	43,077	11,327
Areti	30,161	30,672	(511)
Acea Ato2	26,329	17,346	8,983
Acea Energia	16,580	9,183	7,397
Gesesa	7,847	7,001	846
Acea Molise	6,647	5,350	1,298
Acquedotto del Fiora	5,892	3,251	2,641
Publiacqua	3,946	3,068	878
Acea Ambiente	5,719	2,313	3,406
Acea Elabari	4,446	2,123	2,323
Umbra Acque	2,670	2,118	552
Acque	1,573	1,726	(153)
GORI	2,606	1,323	1,283
Acque Industriali	1,452	1,263	189
Marco Polo	1,236	1,236	0
Acea Produzione	4,114	897	3,217
Sarnese Vesuviano	813	823	(11)
Umbriadue Servizi Idrici	625	686	(60)
Acea Innovation	496	503	(7)
Ingegnerie Toscane	358	231	128
Coema	205	184	22
Ecogena	82	145	(64)
Servizi Idrici Integrati	119	14	105
Technologies for Water Service	105	15	89
Acea Solar	26	102	(76)
Acque Blu Arno Basso	46	74	(28)
Acea Dominicana	72	72	0
Acque Blu Fiorentine	41	69	(28)
Other	175	937	(763)
Total	178,785	135,803	42,982

19.b – Other current assets -€ 34,243 thousand

These recorded a decrease of € 22,214 thousand and are made up as follows.

€ thousand	31/12/2021	31/12/2020	Change
Receivables due to the transferee Area Laurentina	6,446	6,446	0
Accrued income and prepayments	5,543	5,769	(226)
Other receivables	221	204	17
Receivables from national insurance institutions	289	305	(16)
Receivables due to severance pay for individual transfers	1,944	1,931	13
Advances to suppliers and deposits with third parties	239	261	(22)
VAT receivables	8,327	8,993	(665)
Other tax receivables	496	374	121
Tax consolidation receivables due from subsidiaries	10,739	32,175	(21,436)
Total	34,243	56,458	(22,214)

Receivables from national insurance institutions include receivables generated by the return of Marco Polo to the facility management sector for amounts due to employees. Accrued income and pre-paid expenses mainly include the portion of user licences accruing to subsequent years, fees for IT infrastructure maintenance and IT services, insurance contracts and insurance premiums. The reduction in receivables for tax consolidation from subsidiaries

is due to the payment of higher IRES advances during 2021 compared to what was calculated at 31 December 2021.

19.c – Current tax assets -€ 5,764 thousand

The recognition of € 5,764 thousand for IRES advances derives from the higher advances compared to the tax calculated at 31 December 2021.

€ thousand	31/12/2021	31/12/2020	Change
IRES receivables for payments on account	5,764	0	5,764
Total receivables from the tax authorities	5,764	0	5,764
Total tax receivables	5,764	0	5,764

19.d – Current financial assets -€ 656,858 thousand

These recorded a decrease of € 115,630 thousand and can be broken down as follows. From this year non-current financial assets include the portion of current accounts related to revolving loan

lines destined by the subsidiaries to non-current assets. The data of 2020 have therefore been made pro-forma for a better representation.

€ thousand	31/12/2021	31/12/2020	Change
Receivables from parent companies - Roma Capitale	107,664	142,256	(34,592)
Receivables from subsidiaries and associates	274,381	400,265	(125,884)
Receivables from others	274,814	229,967	44,846
Total	656,858	772,488	(115,630)

Receivables from parent companies - Roma Capitale

These amount to a total of € 107,664 thousand and refer to receivables due from Roma Capitale relating to the Public Lighting Service Contract as anticipated in the section of this document "Trade receivables from Roma Capitale".

Receivables from subsidiaries and associates

These amount to € 274,381 thousand (€ 400,265 thousand at 31 December 2020) and are composed as follows:

€ thousand	31/12/2021	31/12/2020	Change
Receivables from cash pooling relationships	155,532	284,483	(128,951)
Accrued current financial assets on loans and cash pooling relationships	94,577	97,062	(2,484)
Receivables from subsidiaries for loans	20,320	14,363	5,957
Other receivables from subsidiaries	1,486	1,486	0
Receivables for commissions on guarantees given	2,466	2,750	(284)
Receivables from associates	0	121	(121)
Total	274,381	400,265	(125,884)

The change with respect to the end of the previous year is mainly due to the decrease in the current portion of balances in the current accounts with group companies which adhered to a revolving type loan, covering working capital and investment requirements and due to the reduction in associated accrued income, mainly due to the reduction in interest rates. From this year the portions destined for this purpose by the participating Companies have in fact been reclassified to non-current assets. The data of 2020 have therefore been made pro-forma for a better representation.

An increase was recorded in receivables from subsidiaries for loans

of € 5,957 thousand due for € 4,870 thousand to the reclassification to short-term of shareholders loans to Acea Molise expiring on 31 January 2022.

Receivables from others

These amounted to a total of € 274,814 thousand and increased compared to 31 December 2020 by € 44,846 thousand owing to the increase in short-term deposits which went up from € 225,000 thousand to € 270,000 thousand.

€ thousand	31/12/2021	31/12/2020	Change
Receivables for managing the Public Lighting service	3,775	4,412	(637)
Receivables on short-term deposits	270,000	225,000	45,000
Financial accrued income	765	282	483
Receivables from SEIN from Liquidation of Acea Ato5 Servizi	274	274	0
Total	274,814	229,967	44,846

19.e - Cash and cash equivalents - € 441,538 thousand

These recorded an increase of € 23,033 thousand (€ 418,505 as at 31 December 2020) and represent the balance of bank and

postal current accounts opened at the various credit institutions as well as at Ente Poste.

NOTES TO THE BALANCE SHEET – LIABILITIES

20. Shareholders' equity – € 1,656,139 thousand

€ thousand	31/12/2021	31/12/2020	Change
Share capital	1,098,899	1,098,899	0
Legal reserve	138,649	129,761	8,888
Reserve for own shares	0	0	0
Other reserves	83,510	77,980	5,531
Profits carried forward	158,042	159,207	(1,165)
profit (loss) for the year	177,040	177,761	721
Total	1,656,139	1,643,607	17,595

Shareholders' equity increased by € 12,532 thousand compared to 31 December 2020. This change is mainly due to the profit reported in the year and to the effects generated by the allocation of the result achieved in 2020 equal to € 0.80 per share, as well as the changes in other reserves.

The composition and changes per item are shown below:

20.a – Share capital – € 1,098,899 thousand

This amounts to € 1,098,899 thousand and is represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- Roma Capitale: 108,611,150 for a total nominal value of € 560,434 thousand,

- Market: 103,936,757 shares for a total par value of € 536,314 thousand;
- Treasury Shares: 416,993 ordinary shares with a total nominal value of € 2,151 thousand.

20.b – Legal reserve – € 138,649 thousand

It includes 5% of the profits of the previous financial years as required by article 2430 of the Italian Civil Code.

At 31 December 2021 there was an increase of € 8,888 thousand compared to the previous year, due to the allocation of profit achieved in 2020.

20.c – Other reserves – € 83,510 thousand

The composition of the Item and the changes for the period are provided below:

€ thousand	31/12/2021	31/12/2020	Change
Extraordinary reserve	180	180	0
Demerged capital gains reserve	102,567	102,567	0
Reserve for exchange differences	9,397	5,053	4,344
Valuation reserve for financial instruments	(19,099)	(20,062)	963
Reserve for actuarial gains and losses	(9,734)	(9,958)	224
Other miscellaneous reserves	198	198	0
Total	83,510	77,980	5,531

The reserve for exchange differences recorded an increase of € 4,344 thousand, representing the effect of the measurement at the exchange rate on 31 December 2021 of the private placement in Yen entered into in 2010.

The cash flow hedge reserve was negative and came out at

€ 19,099 thousand. This reserve includes € 3,333 thousand for the negative difference deriving from the delta of conversion rates between that provided for in the hedging contract and that recorded on the adjustment date of the bond (3 March 2010).

The table below shows available and unavailable reserves.

€ thousand	Amount	Possibility of use	31/12/2021	
			Distributable portion	Summary of use made in the previous three years Loss coverage Other reasons
Capital reserves				
Reserve deriving from the ARSE spin-off	6,569	A, B, C	6,569	
Profit reserves from the Income Statement				
Legal reserve	138,649	A, B	138,649	
Extraordinary reserve	180	A, B, C	180	
Demerged capital gains reserve	102,567	A, B, C	102,567	
Retained earnings	158,042	A, B, C	158,042	11,687
Profit reserves from OCI				
Valuation reserve for financial instruments				
Reserve for exchange differences	(19,099)		(19,099)	
Reserve for actuarial gains and losses	9,397		9,397	
Reserve for own shares	(9,734)		(9,734)	
Other reserves				
Greater cost paid, infragroup acquisitions	(5,652)		(5,652)	
IAS reserve	(719)		(719)	
Reserve for own shares	3,853	Guarantee of treasury shares	3,853	
Total	384,054		384,054	
Non-distributable share			116,695	
Residual distributable portion			267,359	

Key: A = capital increase – B = to cover losses – C = distribution to shareholders.

Reserve for own shares

Pursuant to art. 2428 of the Italian Civil Code, there are 416,993 treasury shares in the portfolio, with a nominal value of € 5.16 each (€ 2,152 thousand in total) and correspond to 0.196% of the share capital.

The reserve for treasury shares in portfolio amounted to € 3,853 thousand at 31 December 2021. The amount of the reserve coincides with the value of shares in the portfolio accounted for as a reduction of the Shareholders' Equity in accordance with IAS 32.

21. Employee severance indemnity and other defined benefit plans – € 20,334 thousand

It decreased by € 1,166 thousand and reflects severance indemnities and other benefits to be paid subsequently to the performance of the work activity to employees. Within the obligations that make up this item, we need to highlight the defined contribution plans and defined benefit plans. The following table shows the composition:

€ thousand	31/12/2021	31/12/2020	Change
Benefits due at the time of termination of employment			
- Employee severance indemnity	5,863	6,737	(874)
- Extra months	1,332	1,470	(138)
- Long-Term Incentive Plans (LTIP)	858	1,600	(742)
Total	8,053	9,807	(1,754)
Post-employment benefits			
- Tariff subsidies	8,566	9,542	(975)
- Isopensione (early retirement)	3,715	2,151	1,564
Total	12,281	11,693	588
Total Benefits	20,334	21,500	(1,166)

With regard to the calculation method, it must be noted that the benefits due at the time of termination of the employment relationship are determined according to actuarial criteria; with reference to post-employment benefits, the calculation is based on the “projected unit credit method” which is based on assessments that express corporate liability as the current average value of future benefits, pro rated based on the service provided by the employee at the time calculation with respect to that corresponding at the time of payment of the service.

The change is affected (i) by the provisions for the period, (ii) by the outflows that occurred during the period and (iii) by the decrease in the rate used for the valuation of the liabilities.

In particular, with regard to the economic-financial scenario, the discounting rate used for the valuation was of 1.00% against a rate

used last year of 0.77%.

As required by paragraph 78 of IAS 19, the interest rate used to determine the current value of the obligation was determined with reference to the yield on the valuation date of securities of primary companies in the financial market to which Acea belongs and to the return on outstanding government bonds on the same date with a duration comparable to the residual duration of the collective of workers analysed; it must be noted that, due to internal consistency of assessment and alignment with the requirements of IAS 19, the same technical bases have been maintained for the various types of plans.

Furthermore, the parameters used for the evaluation are shown below:

	31/12/2021	31/12/2020
Discount Rate	1.0%	0.3%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	1.8%	1.0%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was

performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift / -0.5% shift). The results of this analysis are summarised below.

Plan type - € thousand	Discount Rate	
	+0.5%	-0.5%
Employee severance indemnities (TFR)	(265)	283
Tariff subsidies	(306)	326
Extra months	(63)	61
LTIP	(8)	8

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one.

Plan type - € thousand	-1 year of age
Employee severance indemnities (TFR)	(66)
Tariff subsidies	58
Extra months	(449)

Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

The table below details the composition by nature and the changes compared to the end of the previous year:

22. Provisions for risks and charges – € 15,024 thousand

€ million	31/12/2020	Uses	Provisions	Release for		Reclassifications/ Other changes	31/12/2021
				Excess Provisions			
Legal	3,049	(1,278)	930	0	0	2,701	
Taxes	29	0	0	(29)	0	0	
Investees	5,727	0	0	(156)	0	5,570	
Contributory risks	734	0	4	0	0	738	
Other risks and charges	913	0	17	0	0	930	
Total provision for risks	10,452	(1,278)	951	(185)	0	9,939	
Early retirements and redundancies	5,751	(5,150)	4,519	0	(36)	5,085	
Total provisions for expenses	5,751	(5,150)	4,519	0	(36)	5,085	
Total provisions for risks and charges	16,203	(6,428)	5,470	(185)	(36)	15,024	

The main changes concerned:

- the provisions for risks associated with legal disputes utilised for € 1,278 thousand owing to unfavourable judgements. Further provisions were also set aside during the year for € 930 thousand;
- the provision set aside for redundancy and mobility plans used for € 5,150 thousand as the relevant procedures have been completed. Additionally, € 4,519 thousand was set aside for the same plan, including future iso-pension retirement plans. This amount represents the net balance between provisions for the period amounting to € 5,684 thousand and releases due to surplus amounting to € 1,166 thousand;

- provisions for risks in investees were adjusted following the new valuation of Marco Polo;
- provisions for risks for tax disputes were entirely released because they no longer exist.

For further details, see the information provided in the section “Update on major disputes and litigation”.

23. Non-current borrowings and financial liabilities – € 4,518,588 thousand

The breakdown is as follows:

€ thousand	31/12/2021	31/12/2020	Change
Bonds	4,141,952	3,253,444	888,508
Medium/long-term borrowings	250,816	444,117	(193,300)
Medium/long-term borrowings from subsidiaries	116,730	0	116,730
IFRS16 financial payables	9,089	13,094	(4,005)
Total	4,518,588	3,710,655	807,933

Medium and long-term bonds

On 21 January 2021, Acea SpA completed placement of a Green Bond for a total amount of € 900 million, with maturity 6 April 2029 divided into in two series, the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the “Bonds”), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the “2025 Bonds”) and the second series totalled € 600 million, with a rate of 0.25% and maturity on 28 July 2030 (the “2030 Bonds”). The bonds are governed by English law. Starting from 28 January 2021, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

Bonds amounted to € 4,141,952 thousand (€ 3,253,444 thousand at 31 December 2020) and refer to the following:

- **€ 598,588 thousand** (including the long-term portion of the contract related costs) relating to the 10-year fixed rate bond issued by Acea in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of € 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 495,909 thousand** (including the long-term portion of the costs attached to the contract) relating to the bond issued by Acea in October 2016 for the EMTN programme for a total amount of € 500,000 thousand with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000.00 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 5,000 thousand;
- € 152,744 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 21,796 thousand,

amounted to **€ 174,541 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 12,364 thousand, of the hedged instrument calculated on 31 December 2021. The exchange rate at the end of 2021 stood at € 130.90 against € 126.18 as at 31 December 2020. Interest accrued during the period amounted to € 3,806 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied in a fixed rate in Euro. The cross currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly basis postponed to a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea’s rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;

- **€ 299,975 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN programme. Interest accrued during the period amounted to zero;
- **€ 692,268 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by Acea on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand;
- **€ 495,027 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 23 May 2019, with a fixed rate of 1.75% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;

- **€ 495,960 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 29 January 2020, with a rate of 0.50% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;
- **€ 299,639 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued

- Green Bond with maturity 28 September 2025 and rate of 0%;
- **€ 590,045 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 July 2030 and rate of 0.25%; Interest accrued during the period amounted to € 1,389 thousand.

The following is a summary including the short-term portion:

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	597,669	0	7,336	605,004
Private Placement issued in 2014	152,726	21,796	655	175,177
Issued in 2016	494,863	0	945	495,809
Issued in 2018	990,351	0	5,955	996,305
Issued in 2019	494,170	0	5,346	499,516
Issued in 2020	495,325	0	1,849	497,175
Issued in 2021	888,266	0	645	888,911
Total	4,113,370	21,796	22,731	4,157,897

* Including amortised cost.

** Including deferrals on hedging instruments.

Medium/long-term borrowings

These amount to € 250,816 thousand and show a total reduction of € 193,300 thousand and represent the payable for the portion of the instalments not yet repaid at 31 December 2021 and expiring beyond twelve months. The decrease refers mainly to the following phenomena:

- the early repayment of the loan taken out in 2020 for an amount of € 100,000 thousand;
- the early repayment of principal of € 52,778 thousand of a part of the EIB loan taken out in 2014.

The main mortgages, whose values as at 31 December 2021 are shown below including the short-term portions amount to a total of € 296,921 thousand and are described below:

- loan stipulated on 25 August 2008 for an amount of € 200,000 thousand for the investment plan in the water sector (Acea Ato2) with a duration of 15 years. This loan at 31 December 2021 amounted to € 22,498 thousand. The first tranche of € 150,000 thousand was disbursed in August 2008 and the interest rate is equal to the 6-month Euribor plus a spread of 7.8 basis points. In 2009, a second tranche was disbursed for an amount of € 50,000 thousand, which provides for an interest rate equal to the 6-month Euribor plus a spread of 0.646%, with a maturity of 15 June 2019. The latter was ex-

tinguished early in March 2018;

- loan contracted by the EIB on 23 December 2014 of € 200,000 thousand, aimed at supporting the needs of the multi-year investment plan in the water area. The interest rate applied is equal to the 6-month Euribor with a spread of 0.45% with maturity in June 2030. The residual amount of the loan at 31 December 2021 amounts to € 94,444 thousand;
- financing contracted with the EIB on 2 May 2017 for € 200,000 thousand as part of the Network Efficiency III Project. The interest rate is variable. The loan repayment plan envisages a period of pre-amortisation up to 15 June 2021 and amortisation in constant semi-annual instalments up to 31 December 2030. The residual amount of the loan at 31 December 2021 amounts to € 179,979 thousand.

On 21 December the loan entered into for an initial amount of € 100,000 thousand, taken out on 31 March 2008 was paid back. The loan was hedged by an Interest Rate Swap with the objective of transforming the burden of the underlying loan from variable to fixed and this was also extinguished.

The table below provides details of the loans by type of interest rate and by maturity. It must be noted that the table also shows the short-term portion by 31 December 2021 of € 60,243 thousand.

	Total residual debt	By 31/12/2021	Due from 31/12/2021 to 31/12/2025	After 31/12/2025
Loans:				
- floating rate	296,921	46,105	131,932	118,885
Total	296,921	46,105	131,932	118,885

For information on financial instruments at the reporting date please refer to the paragraph "Supplementary information on financial instruments and risk management policies".

Medium/long-term borrowings from subsidiaries

On 20 December 2021 a contract was concluded for a loan from Acea Energia to Acea SpA. This was disbursed in a single amount

with maturity 31 December 2031 and amortising repayment in six-monthly constant instalments. Below are details of the ageing, including the short-term portion.

	Total residual debt	By 31/12/2022	Due from 31/12/2022 to 31/12/2026	After 31/12/2026
Loans:				
- fixed rate	129,705	12,975	51,880	64,850
Total	129,705	12,975	51,880	64,850

IFRS16 financial payables

This item includes the financial payable deriving from the adoption of IFRS16, the long-term portion of which amounts to € 9,089

thousand. The short-term portion instead amounts to € 5,202 thousand. The cash flows broken down by maturity to which Acea is potentially exposed are shown below:

	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS16 liabilities	5,202	9,507	14,109	14,291

24. Other non-current liabilities – € 2,292 thousand

The item of € 2,292 thousand (were not present at 31 December 2020) includes the non-current portion of accrued expenses related to multi-annual user licences.

25. Current liabilities – € 649,043 thousand

These amounted overall to € 649,043 thousand and decreased overall by € 45,407 thousand.

€ thousand	31/12/2021	31/12/2020	Change
Borrowings	393,135	429,492	(36,357)
Payables to suppliers	222,154	224,036	(1,883)
Tax payables	0	13,969	(13,969)
Other current liabilities	33,755	26,953	6,802
Current liabilities	649,043	694,451	(45,408)

25.a – Financial payables – € 393,135 thousand

These fell by € 36,357 thousand and are made up as follows:

€ thousand	31/12/2021	31/12/2020	Change
Payables to banks for short-term credit lines	176	90,152	(89,977)
Payables to banks for loans	46,105	60,243	(14,138)
Short-term bonds	15,945	16,813	(868)
Payables to the controlling shareholder Municipality of Rome	117,906	129,375	(11,468)
Payables to subsidiaries and associates	205,972	125,953	80,018
Payables to third parties	1,830	1,819	11
IFRS16 financial payables within one year	5,202	5,137	65
Total	393,135	429,492	(36,357)

Payables for short-term bank credit lines fell by € 89,977 thousand owing mainly to the repayment of disbursements occurring in 2020, for a total amount of € 90,000 thousand.

The decrease of € 14,138 thousand in payables to banks for loans is related to early repayment of the principal of a part of the EIB loan taken out in 2014 and the full repayment of the loan entered into for an initial amount of € 100,000 thousand, taken out on 31 March 2008.

Financial payables to Roma Capitale decreased by € 11,468 thousand, owing mainly to the combined effect of recognition of the

payable for share dividends of Acea which accrued in 2020 for € 86,889 thousand and the use of some of the dividends which accrued in 2018 and 2019 to partially offset the receivables of Acea for € 75,153 thousand and of Acea Ato2 for € 24,060 thousand.

The changes concerning payables to subsidiaries and associates mainly relate to centralised treasury transactions, which increased by € 67,275 thousand due to the greater financial exposure recorded during the year by some Group companies.

Other financial payables include the short-term portion and the accrued expenses related to the loan disbursed by Acea Energia to Acea SpA.

The following is a breakdown by type of debt due to investee companies:

€ thousand	31/12/2021	31/12/2020	Change
Payables for cash pooling relationships	192,995	125,721	67,275
Other financial payables	12,976	233	12,744
Total	205,972	125,953	80,018

This item includes the short-term portion of IFRS16 financial payables, equal to € 5,202 thousand (€ 5,187 thousand at 31 December 2020).

25.b – Trade payables – € 222,154 thousand

Results are as follows.

€ thousand	31/12/2021	31/12/2020	Change
Payables to suppliers	116,406	118,327	(1,921)
Payables to the Parent Company	208	212	(4)
Payables to subsidiaries and associates	105,540	105,497	43
Payables to suppliers	222,154	224,036	(1,883)

Payables to third-party suppliers recorded a reduction of € 1,921 thousand and a breakdown of the balance is shown below:

€ thousand	31/12/2021	31/12/2020	Change
Payables due to invoices received	67,416	75,134	(7,718)
Payables due to invoices to be received	48,990	43,193	5,797
Total	116,406	118,327	(1,921)

With regard to payables to suppliers for invoices received for € 67,416 thousand, it must be noted that the expired component amounts to € 14,076 thousand, the remaining amount is due within the next twelve months.

Relative to relations with **Subsidiaries and associates**, note a € 43 thousand increase, essentially relative to areti for fees relative to the Public Lighting service. Details by counterparty are provided in the following table:

€ thousand	31/12/2021	31/12/2020	Change
Acea Ato2	634	719	(85)
Acea Ato5	257	177	80
Acea Energia	9,355	9,102	253
Acea Produzione	80	56	25
Areti	94,681	94,683	(2)
Acea Elabari	94	85	9
Acea Ambiente	49	212	(163)
GORI	116	0	116
Acque	47	47	0
Other	227	417	(190)
Total	105,540	105,497	43

25.c - Tax payables – € 0 thousand

The item was zero at 31 December 2021 (€ 13,969 thousand at 31 December 2020).

25.d – Other financial liabilities – € 33,755 thousand

These are composed as follows.

€ thousand	31/12/2021	31/12/2020	Change
Payables to social security institutions	3,775	3,502	274
Accrued expenses and deferred income	1,056	238	818
Tax consolidation payables to subsidiaries	9,437	3,207	6,229
Payables due to personnel	9,554	10,365	(812)
Payables to Equitalia	63	61	2
Other payables	9,870	9,580	290
Total	33,755	26,953	6,802

For greater clarity, it must be noted that payables with a due maturity of more than five years are not recorded in the financial state-

ments, other than those already indicated with respect to the item "Loans".

INFORMATION ON RELATED PARTIES

ACEA AND ROMA CAPITALE

The controlling entity holds an absolute majority with 51% of Acea's shares.

There are commercial relations between Acea and Roma Capitale, as the company provides services to the Municipality with regard to maintenance and upgrading of public lighting systems.

With regard to the public lighting service, we inform you that it is provided exclusively in the Rome area. As part of the thirty-year free grant issued by the Municipality of Rome in 1998, the economic terms of the services subject to the concession are currently governed by a service contract between the parties in force since May 2005 and until the concession expires (31 December 2027), pursuant to the supplementary agreement signed between Acea and Roma Capitale on 15 March 2011 modified in June 2016 with a private deed aimed at regulating commitments and obligations deriving from the implementation of the LED Plan.

The additions of the supplementary agreement of 2011 concern the following aspects:

- alignment of the duration of the service contract to the expiry of the concession (2027), given the mere accession function of the contract to the agreement;
- periodic updating of the fee components related to electricity consumption and maintenance;
- annual increase in the lump-sum payment for the new lighting points installed.

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipality or (ii) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods. On the due or early termination date Acea is entitled to an indemnity corresponding to the residual book value of the assets that will be paid by the Municipality or the incoming operator upon express provision of this obligation in the call for tenders for the selection of the new operator.

Finally, the contract establishes a list of events which represent just cause for early revocation of the concession and/or termination of the contract by the parties. Of these events, that relative to newly arising requirements linked to the public interest appears relevant, included under that established by article 23 bis of Italian Decree Law 112/2008, abrogated after the referendum of 12 and 13 June 2011, which determines for Acea the right to an indemnity commensurate with the discounted product of a defined percentage of the annual contractual amount and the number of years remaining until the natural expiry of the concession.

The supplementary agreement, exceeding the materiality thresholds defined by the Company in relation to Transactions with Related Parties, was submitted to the analysis of the Board of Directors

and obtained approval at the meeting on 1 February 2011, after obtaining the favourable opinion by the Committee for Transactions with Related Parties.

Reciprocal claims and liabilities — with reference to payment methods and terms — are governed by individual contracts:

- a. for the public lighting service contract the payment is expected within sixty days from the submission of the invoice and, in the event of delayed payment, the legal rate is applied for the first sixty days and then the default rate as established from year to year by a special decree of the Minister of Public Works in agreement with that of the Minister of Economy and Finance,
- b. for all other service contracts the payment deadline for Roma Capitale with reference to service contracts is sixty days from receipt of the invoice and in the event of late payment, the parties have agreed to apply the official discount rate in force over time.

The private agreement signed in June 2016 between Acea and Roma Capitale regulated commitments and obligations deriving from the implementation of the LED Plan modifying art. 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48 million for the entire Led Plan. The amount is to be paid in the amount of 10% in advance and the remaining part on the basis of specific bimonthly progress certificates, which must be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.

As a result of the implementation of the LED Plan, the parties partially modified the price list and the composition of the fee for the management of the service.

New constructions and investments contribute to the increase in the lump-sum payment due to the annual rate calculated according to the mechanism of tax depreciation envisaged for the plants underlying the specific intervention and to the percentage reduction of the ordinary rent due from Roma Capitale whose amount is defined in the technical-economic project document. A variable interest rate is envisaged to remunerate the invested capital.

With regards the extent of the relationship between Acea and Roma Capitale, reference must be made to what has been explained and commented on receivables and payables to the Parent Company in note no. 19.c of this document.

We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and for it Areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed perplexities on the legitimacy of the award to Acea SpA itself. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relation-

ship in being between Roma Capitale and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea’s ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration’s intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting Service.

We can inform you finally that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing and the related collections as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

From the point of view of economic relations, instead, the costs and revenues at 31 December 2021 are summarised below with reference to the most significant transactions.

€ thousand	Revenues		Costs	
	2021	2020	2021	2020
Public Lighting Service contract	30,385	29,447	77	0
Revenue from plants building on request	1,983	4,218	0	0
Total	32,368	33,666	77	0

ACEA AND THE ROMA CAPITALE GROUP

Even with companies, special companies or institutions controlled by Roma Capitale, Acea has commercial relations.

The following table shows information on entries with the companies of the Roma Capitale Group.

Roma Capitale Group € thousand	31/12/2021			
	Payables	Costs	Receivables	Revenues
AMA SpA	139	573	28	0
ATAC SpA	1	5	0	0
Fondazione Cinema per Roma	100	122	0	0
Zetema Progetto Culturale Srl	47	56	0	0
Le Assicurazioni di Roma	0	22	0	0
Total	287	778	28	0

ACEA AND ITS SUBSIDIARIES

Financial reports

Acea SpA, in its function as an industrial holding company, defines the strategic objectives at the Group and subsidiary level and coordinates its activities.

As part of the centralised management of financial services, the Parent Company Acea has long since adopted a Group inter-company treasury system, including an inter-company finance relationship, making it available to many Group companies with which a special multi-year inter-company finance contract was signed.

The intercompany finance contracts were renewed on 1 January 2020. Based on this contract, Acea makes available a medium-term revolving loan, known as the “Intercompany Finance Line”, up to a predetermined credit limit for financing the financial needs for (i) working capital requirements and (ii) the execution of investments.

In addition, Acea makes credit lines available to its own companies for signature, for an amount equal to the Plafond for bank guarantees or through the direct issuing of corporate guarantees for an amount equal to the Plafond for Corporate Guarantees.

The operation of this contract provides that in a permanent and daily manner each company, holder of specific peripheral bank current accounts, daily credit or debit the Parent Bank’s current account to zero the balance on its current accounts.

In the case of a daily intercompany balance due by currency, the companies pay interest expense to the Parent Company calculated, for each year, on the basis of a market interest rate, defined as the sum of: Cost of funding, the average weighted interest rate paid by the Acea Group on the market the previous year and Incremental Risk, the risk differential between the Acea Group and individual companies participating in the contracts. For 2021, the interest rate applied falls between a minimum of 2.82% and a maximum of 2.98%, while in 2020, the rate applied fell between a minimum of 2.82% and a maximum of 4.04%.

In the case of a daily intercompany credit balance by currency, Acea recognises calculated interest rates for each quarter by applying the interest rate resulting from the arithmetic average of the “3 month Euribor” rates (source Bloomberg) in the previous quarter.

Contractual terms applied are, with the same credit standing and type of financial instrument, in line with those resulting from the reference market, also supported by the evidence of a benchmark developed by a leading consulting firm.

The new contracts saw revisions made to the following conditions:

- the duration is 30 years or until the expiry of concessions for companies with regulated business (Acea Ato2 and areti);
- revision of the total rate calculation method for the use of the Intercompany Finance Line;
- revision of the method for calculating the rates applied on bank and corporate guarantees;
- regular annual update of economic conditions based on the previous year’s financial statements.

Reports of a commercial nature

Acea also provides subsidiaries and associated companies with administrative, financial, legal, logistics, management and technical services in order to optimise the resources available within the Company and to optimally use existing know-how in a logic of affordability. These services are governed by specific service contracts.

As of 1 January 2020, and for three years, the new service contracts for 2020-2022 took effect. The methodology used to determine the unit price is the Cost Plus Method, which calls of the identification of a shared base cost, to which is applied a mark-up on internal costs (subject to market benchmarks by a major consulting company) and, subsequently, divided up between the various bene-

ficiaries of the services through allocation keys which are compliant and consistent, in line with what third parties would do. These contracts are compliant for regulatory purposes and of the Organisation, management and control model and envisage SLAs (Service Level Agreements) with a view to improving the level of service offered, to relate to relevant KPIs (Key Performance Indicators).

As part of the Template project, Acea and the companies in the area approved a contract that allows the implementation of the main technological development initiatives (cross-cutting and business) through the communion institute. The aforementioned contract contains rules of an economic-financial nature and of participation in the communion. Acea also provides operating services, application management and maintenance related to accessing the Template project regulated by a specific contract.

Finally, during 2021 Acea developed a series of software programmes made available only to the companies located within the Water Area through the signing of specific contracts providing for a consideration user licences and the related maintenance release and ordinary maintenance services.

The contractual terms applied are, for the same type of service rendered, in line with those resulting from the market.

ACEA AND THE MAIN COMPANIES OF THE CALTAGIRONE GROUP

As of the end of financial year 2021, there were the following financial relationships with the companies of the Caltagirone Group and Acea SpA.

Caltagirone € thousand	31/12/2021			
	Payables	Costs	Receivables	Revenues
Piemme SpA - Concessionaria di Pubblicità SpA	56	92	0	0
Total	56	92	0	0

ACEA AND THE MAIN COMPANIES OF THE SUEZ GROUP

As of the end of financial year 2021, there were no financial relationships with Suez Italia SpA now incorporated into Suez International Sas and Acea SpA.

The table below shows the impact of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position

€ thousand	31/12/2021	Related parties	Impact	31/12/2020	Related parties	Impact	Change
Financial assets	3,381,711	3,381,497	100%	2,679,957	2,638,996	98%	742,501
Trade receivables	179,359	178,870	100%	136,552	135,886	100%	42,984
Other current assets	34,243	10,794	32%	56,458	32,221	57%	(21,426)
Current tax assets	5,764	0	0%	0	0	0%	0
Current financial assets	656,858	382,045	58%	772,488	542,521	70%	(160,476)
Borrowings	(393,135)	(323,878)	82%	(429,492)	(255,328)	59%	(68,550)
Tax payables	0	0	0%	(13,969)	0	100%	13,969
Payables to suppliers	(222,154)	(106,227)	48%	(224,036)	(106,953)	48%	726
Other current liabilities	(33,755)	(9,442)	28%	(26,953)	(3,273)	12%	(6,170)

Impact on the economic results

€ thousand	2021	Related parties	Impact	2020	Related parties	% impact	Change
Revenue from sales and services	160,125	160,125	100.0%	152,205	151,974	99.8%	8,152
Other revenue and proceeds	12,486	9,260	74.2%	12,589	8,458	67.2%	803
Costs of materials and overhead	154,457	49,877	32.5%	142,199	50,313	35.4%	(436)
Financial income	90,390	89,598	99.1%	99,268	98,623	99.3%	(9,026)
Financial charges	(60,090)	1,182	(2.0%)	(66,108)	(3,615)	5.5%	4,796
Profit/(Loss) on equity investments	213,791	213,791	100.0%	204,179	204,179	100.0%	9,612

Impact on the Cash Flow Statement

	31/12/2021	Related parties	Impact	31/12/2020	Related parties	% impact	Change
Cash flow from operating activities	(138,959)	21,558	(15.5%)	(77,209)	(37,746)	48.9%	59,304
Cash flow of asset investment/disinvestment	(446,243)	799,153	(179.1%)	(287,524)	619,394	-215.4%	179,759
Cash flow from financing activities	608,235	(34,956)	(5.7%)	95,093	(171,934)	-180.8%	136,978

LIST OF TRANSACTIONS WITH RELATED PARTIES

During 2021, there were no significant transactions with related parties.

UPDATE ON MAJOR DISPUTES AND LITIGATION

ACEA SPA - SMECO

With a writ served in the autumn of 2011, Acea was summoned to court to answer for alleged damages that its alleged non-compliance with unproven and non-existent obligations that are assumed to have been part of the shareholders' agreement regarding the subsidiary A.S.A. - Acea Servizi Acqua, by its minority shareholders and their respective shareholders. The petition is for more than € 10 million.

With sentence no. 17154/15 of 17 August 2015, the Court rejected the application in its entirety and sentenced the parties jointly and severally to the reimbursement of Acea for legal expenses. On 1 October 2015, SMECO lodged an appeal to the 2nd Section of the Court of Appeal of Rome. After a number of postponements, the hearing to clarify the conclusions was set for 3 November 2020.

With a judgement of 11 June 2021, the Court rejected completely the appeal lodged by the plaintiff, ordering the same to refund the legal expenses to Acea. The proceeding has now been concluded.

ACEA SPA - MILANO 90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina no. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.

Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.

Milano 90 opposed the aforementioned injunction — also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages — obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano 90 to pay for the costs of the dispute.

Judgement of Appeal

On 26 April 2018, Milano 90 filed an appeal against the above judgement. As a result of the oral hearing, with an order dated 25 October 2018 the Court of Appeal rejected the request for suspension. The hearing for specification of the conclusions was most recently adjourned to 10 September 2021 and a decision is awaited.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano 90 and the third parties attached. With an order dated 11 February 2020 the enforcement judge ordered the allocation of € 6,445,687.75 plus legal costs and interest in favour of Acea.

Quite unexpectedly, following the service of the order, on 12 March 2020 the seized third party filed an appeal against the enforcement, requesting a declaration of nullity of the order for the allocation of the seized sums.

By decree dated 24 March 2020 and without a hearing, the Enforcing Judge ordered the suspension of the enforceability of the assignment order and set a hearing on 24 February 2021 to decide on whether to confirm, amend or revoke the measure. With an order of 27 December 2021 the judge, lifting the reservation previously adopted, rejected the application for suspension of the executive effectiveness of the allocation order appealed and revoked the previous decree issued *inaudita altera parte*, setting the term for the merits to 10 March 2022. The final judgements have not yet been issued.

ACEA SPA - TRIFOGLIO SRL

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Auto-parco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (Euro 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017 Trifoglio filed an appeal, with a hearing for conclusions last postponed to 9 September 2021. As of today the judgement has not been issued.

ACEA SPA – FORMER COS RULINGS

The COS dispute concerns the ascertainment of the illegality of the contract between Almaviva Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (i.e. the assessment of the right to establish a relationship). These judgements were settled by dismissal orders – made on 2 and 10 July 2019 – of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants – who up to now have claimed the remuneration differences for lack of performance – have therefore started to work concretely starting from February 2020.

Based on the judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting payment of the wages due as a result of the established relationship and regarding different periods of accrual of the receivables.

The action for quantification proposed by the workers regarding the remuneration differences accrued between 2008 and 2014, defined with a partially unfavourable judgement handed down on 26 October 2022, is currently pending before the Rome Court of Appeal, Employment Section. The terms for appealing to the Court of Cassation against this judgement are pending.

After this unfavourable verdict Acea paid, reserving the right to a refund, the amounts due as remuneration and pension differences plus interest and monetary revaluation.

Finally two cases of opposition to injunctions are pending; with these, two workers initiated quantification actions aimed at obtaining the remuneration and pension differences accrued between 2014 and 2019. The hearing for discussion was held on 24 January 2022 and with a judgement issued on the same date, the request of the counterparties was accepted. The terms for appeal are pending.

ACEA SPA – MUNICIPALITY OF BOTRICELLO

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate ap-

peals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

ACEA SPA AND ARETI SPA – MP 31 SRL (FORMERLY ARMOSIA MP SRL)

This is a challenge to the Injunction Order issued by the Court of Rome, docket no. 58515/14, issued against areti for the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.

Acea filed an appeal, served on 2 January 2018.

The appeal hearing was initially set for 16 April 2020 and then postponed to 16 June 2022.

ACEA SPA AND ACEA ATO2 SPA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl – respectively the manager of the Malagrotta landfill (prov. Rome) and the executor – summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome. The hearing to clarify the conclusions was held on 22 March 2021. On this occasion, the judge, taking into account the notes filed by the parties, granted

a further adjournment for the same obligations to 20 December 2021. At the hearing a further adjournment to 26 April 2022 was granted, with terms for notes and rejoinders.

GALA'S CITATION TO ARETI, ACEA ENERGIA SPA AND ACEA SPA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies — Acea SpA and Acea Energia SpA — be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the Acea Group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs.

PROCEEDING AGCM A/513

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position — qualified as very serious and of duration quantified in 3 years and 9 months — consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.

Fully convinced of the illegitimacy of the measure imposed, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were accepted and, as a result, the sanction was cancelled.

With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

The Directors maintain that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Acea, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS9 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	2,350	0	3,370,390	3,372,740	
Equity investments	2,350	0	0	2,350	16
Financial assets	0	0	3,370,390	3,370,390	18
Current assets	0	0	854,179	854,179	
Trade receivables	0	0	179,359	179,359	19
Current financial assets	0	0	656,858	656,858	19
Other current assets	0	0	17,961	17,961	19
Non-current liabilities	0	174,541	4,334,958	4,509,499	
Bonds	0	174,541	3,967,412	4,141,952	23
Payables to banks	0	0	250,816	250,816	23
Financial payables due to subsidiaries	0	0	116,730	116,730	23
Current liabilities	0	0	633,237	633,237	
Short-term bonds	0	0	15,945	15,945	25
Payables to banks	0	0	46,281	46,281	25
Other financial payables	0	0	321,820	321,820	25
Trade payables	0	0	222,154	222,154	25
Other liabilities	0	0	27,037	27,037	25

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium / long-term financial receivables and payables is calculated on the basis of the risk-less and risk-less adjusted rates. It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

Acea is not particularly exposed to this type of risk which is concentrated on the conversion of the financial statements of foreign subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

As part of the Group's policy, the objective of managing liquidity risk for Acea is to have a financial structure that, in line with the business objectives and with the limits defined by the Board of Directors, ensures a level of liquidity appropriate to the financial needs, maintaining a correct balance between duration and composition of the debt.

The liquidity risk management process, which uses financial planning tools for outflows and receipts suitable to manage treasury

hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract. At 31 December 2021 the Parent Company had unused committed credit lines of € 500.0 million, uncommitted lines of € 429.0 million of which € 21.1 million used, as well as unused and available medium/long term loan lines of € 250.0 million. No guarantees were granted in obtaining these lines.

We can inform you that the EMTN Programme, resolved and established in 2014 for an initial amount of € 1.5 billion, has been adjusted over time. During 2021, it was further adjusted up to a total amount of € 5 billion. Following the bond issue in two tranches in green format of € 900 million in January 2021 and in virtue of the latest adjustment, Acea can place additional bond issues up to the total residual amount of € 1 billion.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (85.7%) as at 31 December 2020, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

Currently Acea does not use derivatives to hedge interest rate risk because at 21 December 2021 the plain vanilla IRS contract, entered into on 24 April 2008 with start date on 31 March 2008, expired. This had as its underlying the fixed rate loan entered into on 27 December 2007 of € 100 million with Cassa Depositi e Prestiti, which expired on the same date. In addition, a cross currency plain vanilla swap operation is in being as of 31 December 2021 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro and was a negative € 21.8 million (a negative € 22.7 million at 31 December 2020).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

€ thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A) - (B)	Risk adjusted FV (C)	Delta (A) - (C)
Bonds	4,157,897	4,403,983	(246,086)	4,328,276	(170,379)
Payables for variable-rate loans	296,921	296,269	652	292,046	4,875
Total	4,454,819	4,700,252	(245,434)	4,620,322	(165,503)

This analysis was also carried out with the "risk-adjusted" curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.

A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve.

This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in present value (€ million)
(1.5%)	(421.4)
(1.0%)	(284.8)
(0.5%)	(153.1)
(0.3%)	(88.9)
n.s.	0.0
0.25%	36.1
0.50%	96.9
1.00%	215.5
1.50%	330.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the

level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS13.

COMMITMENTS AND CONTINGENCIES

These amounted to € 775,710 thousand and increased by € 71,032 thousand compared to 31 December 2020 (€ 846,742 thousand).

ENDORSEMENTS AND SURETIES ISSUED AND RECEIVED

These have a negative net balance of € 34,357 thousand, as the endorsements and sureties issued amounted to € 16,613 thousand while those received amounted to € 50,969 thousand.

These recorded a decrease of € 5,739 thousand compared to the end of the previous year. The change is attributable to the combined effect of the release of guarantees linked to participation in tender procedures for € 9,971 thousand partially offset by the increase in bank sureties issued in favour of the INPS in the context of the Iso-pension programme for € 2,869 thousand and by the increase in those in favour of SEDAPAL for the management of the water service of the city of LIMA for € 1,355 thousand.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

The balance is a positive € 558,965 thousand, consisting of letters of patronage issued for € 558,762 thousand and letters of patronage received for € 203 thousand.

During the year they underwent an overall reduction of € 65,034 thousand.

The main changes concerned:

- the overall reduction in guarantees in favour of various companies in compliance with the obligations established in electricity transport contracts on the account of Acea Energia, for a total of € 45,346 thousand;
- the increase of € 2,656 thousand for back to back guarantees issued to bank institutions after the acquisition of PSL and M2D;
- the decrease in the guarantee benefiting CDDPP (€ 23,245 thousand) offset by the increase in the guarantee to Terna (+€ 901 thousand) for transport services.

THIRD-PARTY ASSETS UNDER CONCESSION

These amount to € 86,077 thousand and have not changed since 31 December 2020 and refer to assets related to Public Lighting.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

in inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2021, equal to € 177,039,964.93, as follows:

- € 8,851,998.25, equal to 5% of profit, to the legal reserve,
- to distribute a total dividend of € 180,665,720.95 to shareholders, corresponding to a unit dividend of € 0.85 per share, equal to the entire distributable profit for the financial year ended 31 December 2021 of € 168,187,966.69 and retained earnings of € 12,477,754.26.

The total dividend (coupon no. 23) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 22 June 2022 with coupon detachment on 20 June 2022 and record date 21 June 2022. On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA

The Board of Directors

ANNEXES TO THE EXPLANATORY NOTES OF WHICH THEY FORM AN INTEGRAL PART



**ANNEX 1:
FINANCIAL DEBT
AT 31 DECEMBER 2021**

**ANNEX 2:
CHANGES OF INVESTMENTS
AT 31 DECEMBER 2021**

**ANNEX 3:
SIGNIFICANT NON-RECURRING
TRANSACTIONS PURSUANT TO
CONSOB RESOLUTION NO. 15519
OF 27 JULY 2006**

**ANNEX 4:
POSITIONS OR TRANSACTIONS
DERIVING FROM UNUSUAL
AND/OR ATYPICAL OPERATIONS**

**ANNEX 5:
SEGMENT INFORMATION (IFRS8)**

ANNEX NO. 1 – FINANCIAL DEBT AT 31 DECEMBER 2021

€ thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
A) Cash	441,538		418,505		23,033
B) Cash equivalents	0		0		0
C) Other current financial assets	656,858	382,045	772,488	542,521	(115,630)
D) Liquidity (A + B + C)	1,098,396	382,045	1,190,993	542,521	(92,597)
E) Current financial debt	(331,084)	(323,877)	(352,436)	(255,328)	21,351
F) Current portion of non-current financial debt	(62,050)		(77,055)		15,005
G) Current financial debt (E + F)	(393,134)	(323,877)	(429,491)	(255,328)	36,357
H) Net current financial debt (G - D)	705,262	58,168	761,502	287,192	(56,240)
I) Non-current financial debt	(4,518,588)	(116,730)	(3,710,655)	0	(807,933)
J) Debt instruments	0	0	0	0	0
K) Trade payables and other non-current payables	0	0	0	0	0
L) Non-current financial debt (I + J + K)	(4,518,588)	(116,730)	(3,710,655)	0	(807,933)
Total financial debt (H + L)	(3,813,326)	(58,562)	(2,949,153)	287,192	(864,173)
Long-term financial receivables *	3,370,390	3,370,390	2,665,230	2,638,996	705,160
Net Financial Position	(442,935)	3,311,828	(283,923)	2,926,188	(159,012)

* We can note that the item in reconciliation refers to intra-group financial receivables deriving mainly from relationships related to intercompany financing contracts.

ANNEX 2 – CHANGES IN HOLDINGS AS AT 31 DECEMBER 2021

€ thousand	Changes in the period						31/12/2021
	31/12/2020	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	
Subsidiaries							
Areti SpA	683,861	0	0	0	0	0	683,861
Acea Ato2 SpA	585,442	0	0	0	0	0	585,442
Acea Elabori SpA	7,209	0	0	0	0	0	7,209
Acea Energia SpA	277,164	0	0	0	0	0	277,164
Acea Ato5 SpA	25,229	0	0	0	0	(5,063)	20,166
Consorzio Acea - Acea Dominicana	43	0	0	0	0	0	43
Acque Blu Arno Basso SpA	14,663	0	0	0	0	0	14,663
Ombrone SpA	19,383	0	0	0	0	0	19,383
Acque Blu Fiorentine SpA	43,911	0	0	0	0	0	43,911
Acea Ambiente Srl	32,573	0	0	6,578	0	0	39,151
Aquaser Srl	5,417	0	0	(5,356)	0	0	61
Crea Gestioni Srl	2,874	0	0	0	0	0	2,874
Agile Academy Srl formerly Parco della Mistica	60	0	(18)	0	0	(40)	2
Sarnese Vesuviano Srl	21,410	0	0	0	0	0	21,410
Acea Liquidation and Litigation Srl	8,341	0	0	0	0	0	8,341
Acea Produzione SpA	43,441	129,765	0	0	0	0	173,206
Acea Energy Management Srl	50	0	0	0	0	0	50
Acea International SA	17,789	0	0	0	1,315	0	19,104
Crea SpA in liquidation	0	0	0	0	0	0	0
Hydreco Scarl in liquidation	0	0	0	0	0	0	0
UmbriaDue Servizi Idrici Scarl	4,499	0	0	0	0	0	4,499
Acque Industriali Srl	1,222	0	0	(1,222)	0	0	0
TWS SpA	64	0	0	0	0	0	64
Pescara Distribuzione Gas	4,290	0	0	(4,290)	0	0	0
Acea Innovation	10	0	(10)	0	0	0	0
AdistribuzioneGas Srl (formerly Alto Sangro Distribuzione Gas Srl)	19,732	0	0	4,290	0	0	24,023
Total subsidiaries	1,818,678	129,765	(28)	0	1,315	(5,103)	1,944,626

ANNEX 3 - SIGNIFICANT NON-RECURRING TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

It must be noted that no non-recurring significant transactions were carried out during the period.

ANNEX 4 - POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR ATYPICAL OPERATIONS

Pursuant to the Consob Communication of 28 July 2006, it should be noted that during 2021 Acea SpA has not performed atypical and/or unusual transactions, as defined by the Communication itself.

ANNEX 5 - SEGMENT INFORMATION (IFRS8)

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Tangible fixed assets	10,776	99,222	109,998		109,998
Real estate investments	0	2,314	2,314		2,314
Goodwill	0	0	0		0
Concessions	0	0	0		0
Intangible fixed assets	0	50,025	50,025		50,025
Copyright	0	13,713	13,713		13,713
Equity investments in unconsolidated subsidiaries and associates	0	1,967,611	1,967,611		1,967,611
Other equity investments	0	2,350	2,350		2,350
Deferred tax assets	0	15,937	15,937		15,937
Financial assets	19,606	3,362,105	3,381,711		3,381,711
Non-current assets	30,382	5,513,276	5,543,658		5,554,979
Inventories	0	0	0		0
Trade receivables	1,713	177,647	179,359		179,359
Other current assets	0	34,243	34,243		34,243
Current tax assets	0	5,764	5,764		5,764
Current financial assets	107,664	549,195	656,858		656,858
Cash and cash equivalents	0	441,538	441,538		441,538
Current assets	109,376	1,208,387	1,317,763		1,317,763
Non-current assets destined for sale	0	0	0		0
Total assets	139,759	6,721,663	6,861,421		6,872,742

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Shareholders' Equity					
Share capital	0	1,098,899	1,098,899		1,098,899
Legal reserve	0	138,649	138,649		138,649
Other reserves	0	83,510	83,510		83,510
Retained earnings/(losses)	0	158,042	158,042		158,042
Profit (loss) for the year	0	177,040	177,040		177,040
Total Shareholders' Equity	0	1,656,139	1,656,139		1,656,139
Staff termination benefits and other defined benefit plans	0	20,334	20,334		20,334
Provision for liabilities and charges	0	15,024	15,024		15,024
Borrowings and financial liabilities	0	4,518,588	4,518,588		4,518,588
Other liabilities	0	2,292	2,292		2,292
Non-current liabilities	0	4,556,239	4,556,239		4,556,239
Borrowings	1,687	391,448	393,135		393,135
Payables to suppliers	101,637	120,517	222,154		222,154
Tax payables	0	0	0		0
Other current liabilities	0	33,755	33,755		33,755
Current liabilities	103,324	545,720	649,043		649,043
Liabilities closely associated with assets held for sale	0	0	0		0
Total liabilities and shareholders' equity	103,324	6,758,098	6,861,421		6,861,421

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Revenue from sales and services	32,445	127,680	160,125		160,125
Other revenue and proceeds	0	12,486	12,486		12,486
Net revenues	32,445	140,166	172,611		172,611
Personnel costs	0	61,862	61,862		61,862
Costs of materials and overhead	35,910	117,547	153,457		153,457
Operating costs	35,910	179,409	215,319		215,319
EBITDA	(3,464)	(39,243)	(42,708)		(42,708)
Net write-downs (write-backs) of trade receivables	0	24	24		24
Depreciation, amortisation and provisions	1,830	28,114	29,944		29,944
Operating profit/(loss)	(5,295)	(67,381)	(72,676)		(72,676)
Financial income	392	89,999	90,390		90,390
Financial charges	(32)	(60,059)	(60,090)		(60,090)
Profit/(Loss) on equity investments	0	213,791	213,791		213,791
Profit/(loss) before tax	(4,934)	176,350	171,415		171,415
Income tax	0	(5,625)	(5,625)		(5,625)
Net result of continuing operations	(4,934)	181,974	177,040		177,040
Net profit/(loss) from discontinued operations					
Net profit/(loss)	(4,934)	181,974	177,040		177,040

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(in accordance with art. 153 of Italian Legislative Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also referred to as “the Board”) is required to report to the Shareholders' Meeting on the supervisory activities carried out during the year and on the omissions and reprehensible facts identified pursuant to art. 153 of Italian Legislative Decree no. 58/1998 (hereinafter also “TUF”).

The Board of Statutory Auditors may also make comments and proposals regarding the financial statements, their approval and the matters within its remit.

Since its appointment, the Board of Statutory Auditors has carried out its institutional duties in compliance with the Italian Civil Code and Italian Legislative Decree no. 58/1998 (CFA) and 39/2010 (Consolidated Law on Independent Auditing), the rules of the by-laws and the regulations issued by the Authorities exercising supervisory and control activities, also taking into account the principles of conduct of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts.

In particular, the Board of Statutory Auditors monitored:

- compliance with the law and the By-Laws, compliance with the principles of correct administration and the functionality and adequacy of the organisational structure, the internal control and risk management systems and the administrative-accounting system;
- the adequacy of the instructions given to Subsidiaries, also pursuant to art. 114, paragraph 2 of the Consolidated Finance Act;
- the procedures for the concrete implementation of the corporate governance rules provided for in the new Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana SpA, which the Company has adopted;
- the compliance of the Procedure on transactions with related parties, approved by the Board of Directors, with the principles pursuant to Consob Resolution no. 17221 of 12 March 2010, as amended, and observance of the said Procedure (updated following the changes introduced by Consob with Resolution no. 21624 of 10 December 2020);
- the existence of the requisites of suitability in relation to its representatives, in application of the current legislation on the subject;
- the criteria and practices used to assess the independence of members of the Board of Directors;
- the observance of the legal and regulatory rules related to the process of forming the Financial Statements and preparing the non-financial declaration pursuant to Italian Legislative Decree no. 254/2016.

Furthermore, in its capacity as Internal Control and Audit Committee, the Board of Statutory Auditors performed the functions envisaged by art. 19 of Italian Legislative Decree no. 39/2010.

This report provides information on the activities carried out by the Board of Statutory Auditors of Acea SpA (hereafter, also “Acea” or the “Company”) during the financial year which ended on 31 December 2021.

In the light of the foregoing, the information contained in Consob Communication 1025564/2001 and subsequent amendments and additions is provided below.

Appointment of the Board of Statutory Auditors

The undersigned Board of Statutory Auditors was appointed at the Shareholders' Meeting held on 17 April 2019 for three financial years until the approval of the 2021 Financial Statements.

The Board of Statutory Auditors in office at the date of this report is composed of Mr Maurizio Lauri (Chairperson), Ms Pina Murè and Ms Maria Francesca Talamonti.

With the coming Shareholders' Meeting, therefore, the mandate of the present Board of Statutory Auditors expires and, therefore, the Shareholders are invited to proceed with the related formalities, in relation to which the Board of Statutory Auditors makes reference to the “Guidelines of the Board of Statutory Auditors of Acea SpA on the composition of the new Board of Statutory Auditors which will be appointed by the Shareholders' Meeting of 27 April 2022”, already published on the Company's website www.gruppo.acea.it in the section devoted to the said shareholders' meeting.

Self-assessment of the Board of Statutory Auditors

Upon taking office, the Board of Statutory Auditors assessed its composition, deeming it to be adequate, verifying in particular compliance with the requirements of independence, professionalism, integrity, diversity, skill and limits to the number of positions held and communicating the results of these assessments to the Board of Directors.

The members of the Board of Statutory Auditors have also stated that they have the time necessary for the complexity of their duties. An analogous assessment was carried out during the meetings of the Board with reference to the years subsequent to its appointment, also on the basis of the information provided by its members in the context of the periodic annual self-assessments. The results of these assessments were communicated to the Board of Directors.

For the purposes of performing the periodic self-assessments, the Board of Statutory Auditors decided not to avail itself of external consultants both in the planning of the questionnaire to be submitted to the statutory auditors, and in the processing of the data and information they made available filling in the questionnaire. Therefore, a questionnaire aimed at the members of the Board of Statutory Auditors was prepared with the support of the internal structures. This will launch the activities functional to the collec-

tion of information to be incorporated, in a summary form, in the self-assessment report, in particular with reference to the checks related to the correct and effective functioning of the body and its adequate composition.

When these activities had been completed, based on the information in its possession, the information requested and acquired, as well as the declarations made by the individual members, the Board of Statutory Auditors verified and confirmed, over time, that all its members continue to have:

- the independence requisites provided for both in the law (Art. 148, paragraph 3 of the Consolidated Finance Act) and in the Corporate Governance Code for statutory auditors of listed companies;
- the requisites of professionalism, expertise and experience in accordance with the provisions of the Regulation containing rules for the establishment of the requisites of professionalism and integrity of the members of the Board of Statutory Auditors of listed companies to be issued on the basis of art. 148 of Italian Legislative Decree no. 58 of 24 February 1998;
- the requisites provided for in art. 22 of the by-laws under the terms of which “The Board of Statutory Auditors is made up of three regular Auditors and two alternate Auditors, in possession of the requisites provided for in the law, the applicable regulations and the Corporate Governance Code for Listed Companies”. On the same occasion it was also verified that each member of the Board of Statutory Auditors continues to comply with the provisions of the applicable laws and regulations (art. 148-*bis* of the Consolidated Finance Act and art. 144-*duodecies* to 144-*quinquiesdecies* of the Issuers Regulations) with regard to the limits on the number of posts held.

Moreover, also in accordance with the provisions of art. 19 of Italian Legislative Decree 39/2010, it was verified that the members of the Board of Statutory Auditors, as the Internal Control and Audit Committee, as a whole are competent in the sector the Company operates in.

The Board of Statutory Auditors assessed that diversity in terms of gender, experience and training is adequately represented within the auditing body.

The results of the self-assessments showed that there are no conditions requiring corrective action to be taken in situations where there is the risk that the Statutory Auditors will no longer have the necessary requisites, such as independence, professionalism and integrity.

With regard to the availability of time to carry out the duties of the office in light of its complexity, it was found that the Statutory Auditors dedicate sufficient time and resources to the performance of their duties. In this regard, it was also noted that the Board of Statutory Auditors of Acea continues to require a significant commitment on the part of its members, who are therefore asked to make sure continually that they have enough time to carry out their duties.

The effectiveness (in terms of timeliness and suitability to identify areas for improvement in the organisational, administrative and accounting structures and in the internal control and risk management system), the adequacy (with respect to the size, organisational, sector and corporate business model characteristics) and therefore the functionality (with respect to the performance of legal supervision, the monitoring of the financial and non-financial reporting process, the monitoring of the statutory audit) of the exchange of information with the main interlocutors of the Board of Statutory Auditors was judged to be positive.

With regard to the meetings of the Board of Statutory Auditors, the adequacy of a number of aspects was positively assessed (also by virtue of the valuable and efficient support provided by the secretariat of the Board of Statutory Auditors), like: the time dedicated to the preparation of the meetings, the related documentation and the agenda; the availability of documentation, the frequency of meetings in relation to the size, complexity and characteristics of the Company, the average duration of the meetings; the dialectic established on the issues covered by the meeting, the timing and accuracy of the minutes, as well as the manner in which the book of meetings and resolutions is held, as well as the dynamics of the meetings in terms of the settlement of any conflicts and making the most of contribution opportunities.

Lastly, the adequacy and functionality of the attendance of the members of the Board of Statutory Auditors at the meetings of the Boards of Directors and the meetings of the Board Committees was verified with respect to the pursuit of the supervisory function and the performance of the duties that the law requires. In particular, the possibility of timely access to the documentation of the meetings and the clarity, effectiveness and appropriateness of the interventions made by the Statutory Auditors with respect to the items on the agenda were verified.

In the light of the coming expiry of the mandate conferred on the Auditing Body, the Board of Statutory Auditors prepared its guidelines on the qualitative and quantitative composition of the body; these have been made available to the Shareholders for the assessments they are responsible for in making appointment proposals to the Shareholders' Meeting.

With the approval of the financial statements at 31 December 2021 in fact the mandate of the undersigned Board of Statutory Auditors expires. The upcoming Shareholders' Meeting, called for 27 April 2022, on first call and, if necessary, on 2 May 2022 on possible second call, will be called upon, therefore, to appoint the Company's auditing body for the financial years 2022-2024 and will determine its fees.

In this regard it is necessary first of all to remind you that:

- a. the “Rules of conduct of the board of statutory auditors of listed companies” recommend, *inter alia*, to the outgoing auditors to send to the listed Issuer, with a view to renewal of the auditing body, a document summarising the activity performed, specifying the number of meetings and the commitment required, in order to enable the Shareholders and the candidate auditors to assess the opportune characteristics, skills and professionalism, the commitment and the time required, and the adequacy of the fees paid for performance of the assignment (Rule Q.1.6);
- b. Principle VIII of the Corporate Governance Code prepared by the Italian Committee for Corporate Governance of Borsa Italiana SpA (ed. January 2020) which the Company has adopted, states that “the auditing body has a composition adequate to ensure the independence and professionalism of its function”.

This said the undersigned Board, having arrived at the end of its mandate, with the document “Guidelines of the Board of Statutory Auditors of Acea SpA on the composition of the new Board of Statutory Auditors which will be appointed by the Shareholders' Meeting of 27 April 2022” provides to the Shareholders, taking them from its experience, and taking into account the results of its self-assessment, a summary presentation of the skills and professionalism, in addition to those provided for by law, that may contribute to the efficient and effective functioning of the Board that will be appointed by the Shareholders' Meeting called to approve the financial statements for financial year 2021.

Activities and Organisation of the Board of Statutory Auditors

During 2021, the Board of Statutory Auditors carried out the activities it was responsible for, holding 17 meetings, each lasting an average of approximately 3 hours and 32 minutes.

The Board of Statutory Auditors also attended all 14 meetings of the Board of Directors, 11 meetings of the Control and Risks Committee, 6 meetings of the Appointments and Remuneration Committee, 9 meetings of the Executive Committee (now Committee for the Territory), 9 meetings of the Related Parties Committee and 7 meetings of the Ethics and Sustainability Committee.

During the meetings of the Board of Directors, during which, among other items on the agenda, the most important economic, financial and equity transactions of Acea SpA and its subsidiaries were examined, the Board of Statutory Auditors received the information referred to in art. 150, paragraph 1 of the TUF.

Based on the information acquired through its supervisory activities, the Board of Statutory Auditors has not become aware of any transactions, carried out during the year to which this report refers, that were not based on the principles of correct administration, resolved and carried out in breach of the law and the by-laws, not in the interest of Acea SpA, in contrast with resolutions passed by the Shareholders' Meeting, manifestly imprudent or reckless, lacking the necessary information in case of Directors' interests or compromising the integrity of the company's assets.

The Board of Statutory Auditors oversaw the Board of Directors' decision-making procedures and verified that the management decisions were compliant with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes.

Transactions of particular significance

The most significant transactions carried out by the Acea Group during 2021 are specified in the documentation relating to the financial statements submitted to the Shareholders' Meeting.

On this subject, the Board of Statutory Auditors considers it useful to point out about the special context which characterised also 2021 due to the ongoing Covid-19 pandemic, a situation which impacted all the decisions, operations and, more generally, the activities of the Company.

In this context, the Company continued to implement an appropriate series of measures aimed at protecting the health and safety of its customers and employees, and at providing concrete support to the businesses, households and communities of the territories in which the Group operates. Some of these actions (in particular, smart working and promotion of remote work) were guaranteed by the implementation of organisational and IT solutions, aimed at enabling continuity in regular activities while simultaneously protecting the physical safety of people and the IT security of transactions. The Board of Statutory Auditors paid particular attention, as indicated in the rest of the Report, in its supervisory activities, to the numerous documents, guidelines, references and recommendations issued one after the other by the Regulatory Authorities (with particular reference to Consob) and by other supranational institutions (such as ESMA), aimed at providing indications to ensure correct and transparent application of what is provided for in the accounting standards in the particular context of reference which characterises this period.

Consequently recommendations were formulated on the need to ensure up-to-date information on the risks associated with Covid-19, with an impact on the Company's economic and financial

situation and equity, on any actions taken or planned by the same to mitigate the said risks and on the indication of any significant effects for estimating future performance.

In this regard the Statutory Auditors focused their attention, in particular: (i) on measuring the expected losses on receivable exposures (ii) on assessing and determining the impairment for non-financial assets; (iii) on the overall adequacy of the administrative-accounting structure, the organisational structure and, last but not least, of the internal control and risk management system also in the pandemic context.

Considering the significant uncertainties of the period, the Board of Statutory Auditors recommended careful and continual monitoring of the macroeconomic scenarios of reference, in order to detect promptly any significant changes in the context relevant for the assessments and estimates required with reference to the periodic financial and non-financial disclosure.

In order to provide a complete preliminary informative framework, from a prospective viewpoint it is considered opportune to highlight also the worrying situation of the current international geopolitical context, consequent to the tensions arising after the recent invasion of Ukraine by the Russian Federation, the impacts of which on the main macroeconomic variables and on the financial and currency markets — as well as, even more serious, in terms of human lives — are still today hard to quantify.

The Board of Statutory Auditors stressed the need for careful monitoring of the Italian macroeconomic context and for strengthening of the oversight by the operating and control units owing to the possible risks underlying the Company's business, also in the light of the complexities posed by the need to observe the sanctions adopted by the European Union and the risks of possible cyber attacks which the Italian entrepreneurial system could be exposed to.

The figures for 2021 in the separate and consolidated financial statements, as well as the non-financial information demonstrate the continuing significant ability to create value for shareholders and economic margins (in terms of both EBITDA and net profit) in the context of overall financial soundness.

In this context, also in the light of the uncertainties of the overall macroeconomic scenario (with the possible effects on prompt payment on the part of customers in particular difficulty owing to the increase in energy commodity prices and uncertainties created by the international geopolitical context) and to the need for future investments typical of infrastructure management activities, the Board of Statutory Auditors recommends continual and constant attention to the overall evolution of the group's net financial position.

It has also recommended to always keep in mind the need to balance developing profitability with a prudential risk appetite, while continuing to closely monitor controls intended to guarantee sustainable behaviour, in full compliance with current regulations.

In fact, it seems clear that the company strategy must continue to define a virtuous balance between the need for growth of the company's scope, even rapid, and the risks assumed until the complete integration of the acquired companies into the Acea Group systems.

Atypical or unusual operations

The documents submitted for your approval, the information received during the meetings of the Board of Directors and the meetings of the internal Board Committees, that received from the Chairperson and the Chief Executive Officer, the management,

the Boards of Statutory Auditors of directly controlled companies and the independent auditing firm did not reveal the existence of atypical and/or unusual transactions, including intra-group transactions or transactions with related parties.

Intergroup or related-party transactions

Intra-group transactions or significant transactions with related parties are specified in the documents relating to the financial statements submitted for your approval.

During June 2021 the Company adjusted the “Procedure for Related Party Transactions” to the new regulatory provisions introduced with Consob Resolution no. 21624 of 10 December 2020, which amended, with effect from 1 July 2021, Regulation 17221/2010 on Related Party transactions. The Board of Statutory Auditors verified the compliance of the procedure adopted with the provisions of laws and regulations and the adequacy of the procedure itself in relation to the dimensions and complexity, and to the other characteristics, including organisational ones, of the Company and its ability to ensure the transparency and correctness of related-party transactions.

With reference to related-party transactions the Board of Statutory Auditors notes the recent partnership between Acea and Suez for the design and marketing of systems for the digital measurement of the water service, pursuant to the press release of 30 March 2022 published on the company’s website.

Supervisory activities pursuant to the Consolidated Law on Statutory Audits

The Board of Statutory Auditors, identified by the Consolidated Law on Auditing as the “Committee for Internal Control and Statutory Audit”, oversaw:

- the financial reporting process;
- the effectiveness of internal control, internal auditing and financial reporting risk management systems;
- the statutory audit of annual accounts and consolidated accounts;
- the independence of the external auditor (hereinafter also “auditor”, “external auditor” or “audit firm”), in particular as regards the provision of non-audit services.

The Board of Statutory Auditors examined the reports prepared by the external auditor PwC SpA, whose activity supplements the general framework of the control functions established by the regulations with regard to the financial and non-financial reporting process.

The Acea SpA Shareholders’ Meeting appointed PwC SpA to audit the accounts for the period 2017-2025, including the Independent audit of the consolidated and separate financial statements, the limited audit of the condensed separate financial statements at 30 June and the audit of the separate annual accounts of Group companies that fall within the scope of unbundling regulations.

We can note first of all that, according to what is provided for in Delegated Regulation (EU) 2019/815 (hereinafter “ESEF Regulation”), the Annual Financial Report was prepared in the new ESEF (European Single Electronic Format), which represents a combination between the xHTML language and the XBRL (eXtensible Business Reporting Language) markups. In addition, the information contained in the Consolidated Financial Statements was the subject of mapping according to the “Inline XBRL” specifications contained in the basic taxonomy issued by the ESMA.

In the light of the current rules, the Auditing Firm issued, under the terms of art. 14 of Italian Legislative Decree no. 39/2010, the Auditing Report on the Separate and Consolidated Financial Statements for the year to 31 December 2021. The form and contents of the Auditing Report are compliant with the amendments made to Italian Legislative Decree no. 39/2010 by Italian Legislative Decree no. 135/2016.

This said, as regards the judgements and the attestations, PwC issued these Reports with no objections and with the following emphases of matter:

- the fact that actions by Acea SpA are being studied with the aim of making safe the subsidiary Acea Ato 5 SpA in view of the situation of financial imbalance created following the approval of the 2020-2023 tariff structure by the Area Authority which showed significant uncertainties that may lead to significant doubts on the subsidiary continuing as a going concern, and the uncertainties related to the same company connected (i) with tax disputes in being and (ii) with the complex judicial and extra-judicial dispute in progress with the Area Authority related to the termination of the management convention, the approval of the 2016-2019 and 2020-2023 tariffs, the charging to the company of contractual penalties related to alleged non-fulfilment, to the recognition of receivables related to the higher operating costs incurred in the period 2003-2005 (as per settlement deed of 27 February 2007) and to determination of the concession fees;
- the complex regulatory measures, with particular reference to what underlies the water tariff approval process.

The Auditing firm

- i) issued a judgement which states that the Reports on Operations that accompany the separate and consolidated Financial Statements — as well as some specific information contained in the “Report on Corporate Governance and Shareholding Structure” indicated in art. 123-bis, paragraph 4, of the Consolidated Finance Act (for which the Directors are responsible) — are consistent with the Financial Statements and are prepared in compliance with the applicable legal provisions;
- ii) checked that the Directors had prepared the “Report on the Remuneration Policy and on Remuneration Paid”, as provided for in article 123-ter, paragraph 8-bis of the Consolidated Finance Act;
- iii) declared, as regards significant errors in the Reports on Operations, on the basis of the knowledge and understanding of the business and of the related context acquired during the auditing activity, that it had nothing to report.

For details on the key aspects of the auditing please see the content of the Reports issued by PwC, published together with the separate and consolidated Financial Statements.

The auditing firm also issued to the Board of Statutory Auditors, under the terms of article 11 of Regulation (EU) no. 537/2014, the Report to the Internal Control and Audit Committee (the so-called “Additional Report”), with which it illustrated:

- i) the main aspects of the auditing;
- ii) the levels of significance for the consolidated financial statements and for the separate financial statements;
- iii) the audit plan;
- iv) the scope and method of consolidation;

- v) the audit methodology and measurement methods applied in the consolidated and separate financial statements;
- vi) the areas of focus related to the consolidated and separate financial statements;
- vii) the activities carried out by the audit team.

The Report does not indicate significant deficiencies identified in the Internal Control System with respect to the financial reporting process that are worth bringing to the attention of the Board of Statutory Auditors. The Board of Statutory Auditors was informed of certain shortcomings and/or areas for potential improvement in the Internal Control System in relation to the financial reporting process, assessed by the Auditor as “not significant”.

The main subject areas dealt with during the exchanges of information carried on with PwC were related to:

- the reconciliation of the receivable and payable items in relation to Roma Capitale. In this context the Board of Statutory Auditors recommends that the management should continue in the constant attention to precise observance, in relations with Roma Capitale, of the practices and conditions applied in transactions with non-related parties. With reference to the conditions applied to the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA;
- the purchase price allocation referable to the companies included in the consolidation scope. During the last few years the Acea Group, in keeping with its business plan, has implemented a series of activities aimed at expanding the Group in its operating sectors. In particular, the transactions concerned both acquisitions and the revision of shareholders’ agreements of associated companies that led to their inclusion in the consolidation scope. Following the acquisition of control, and for the purposes of the consolidated financial statements, the Company is required within the term of 12 months from the event to allocate the purchase price on the basis of what is prescribed by IFRS3;
- the analysis of the evolution of capitalised personnel expenses, recognising a proportion of capitalised personnel expenses in ratio to total investments in line over the years.

The Board of Statutory Auditors checked the adequacy, from the methodological point of view, of the impairment testing process to which the accounting assets involved are subjected.

The Company appointed an external entity to verify all the substantial elements in the impairment process for this test, also including a revision of the procedure, and this did not find any critical aspects to be noted in the present report. Cash flows used for the evaluations were processed on the basis of the 2020-2024 Business Plan, also preparing appropriate sensitivity analysis. The above was also considering the expediency, in the light of both the ongoing pandemic and the war in Ukraine,

of carrying out in-depth assessments on the results of the estimation processes involved in the financial reporting, as was also requested by bodies such as the European Securities and Market Authority (ESMA), CONSOB and the standard setters (OIV – Italian Evaluation Body).

While the market capitalisation of Acea SpA is higher than the value of the Group’s shareholders’ equity, a second-level impairment test was in any case also carried out.

The results of the impairment tests, carried out on intangible assets with an indefinite useful life at 31 December 2021, led to confirming the substantial recoverability of the book values, as better illustrated in the financial statement documents (to which you are referred for the details). In consideration of the elements of uncertainty that characterise the current context, and which can affect the measurement methods adopted, as stated above the Company carried out sensitivity analyses in order to be able to assess the resilience of the recoverable value determined with respect to hypotheses and assumptions alternative to those used for the accounting measurements, on the subject of which please see the specific information contained in the financial statement documents.

The Board of Statutory Auditors notes the contents of the disclosures, contained in the financial statement documents, related to the uncertainty connected with the health emergency linked to Covid-19 and with the current geopolitical context, the possible impacts of which on the scenarios and on the future economic/financial results are as things stand still connotated by a certain margin of uncertainty, given the continuation of the pandemic event and of the war in progress in Ukraine.

The Board of Statutory Auditors also acquired information from the Auditing Firm with reference to the activities performed during the auditing procedures relating to:

- Ato 5 SpA – where the significant issues relate to the exact quantification of the 2012- 2017 concession fees, the assessment of the treatment for tariff purposes of the differences compared to the fees allocated in the tariff in previous years, the quantification of payables for 2006-2011 concession fees, the tax, administrative and regulatory proceedings in process and the approval by the area authority of a tariff related to the regulatory period 2020-2023 which is worse than the tariff proposal presented by the Operator;
- Gesesa SpA – where, following repeated reports on the critical condition of the River Volturno and its tributaries, a criminal proceeding was opened, involving also the Company, together with the launch of a proceeding for the adoption of sanctions and prescriptive measures on the subject of tariff regulation for the integrated water service following the inspections carried out on the correct application of the tariff methods for the period 2013-2016;
- DEMAP SpA – where the recent fire involving the plants entailed a suspension of the business activities and an involvement of the adjoining industrial activities that require an opportune assessment of any necessary updates of the corporate business plan and of the consequent estimates and assessments with an impact on the financial reporting.

The Board of Statutory Auditors, in addition, acquired information on the activities performed by the Auditing Firm with reference to the process of adjusting the calculation of the Provisions for Impairment of Receivables launched by Acea through the creation of models compliant with the methodologies provided for in IFRS9

(simplified method), using customised calculation tools, for each company, according to the specific characteristics of the type of business, focusing on the Companies with recurring invoicing and the Provisions of which are characterised by a high number of customers (in particular Acea Energia, Acea Ato 2 and Acea Ato 5). We can note also that the Company strengthened the application, in the model for calculating Provisions for Impairment of Receivables, of a forward-looking methodology aimed at an assessment of credit worthiness based not only on historical performance data but also on considering the expectations on the future sectoral and specific economic conditions of customers. The calculation of Provisions for Impairment of Receivables for 2021 involved also an assessment of the possible economic impacts of the Covid-19 pandemic. Specifically, the estimate of the loss rates at 31 December 2021 was affected also by the collection performance recorded in the pandemic period.

The Acea Group has signed an agreement with UK infrastructure fund investor Equitix, to sell a majority stake in the newco to which the Group's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred. In particular, Equitix will acquire a 60% stake in the newly established company ("HoldCo") to which will be transferred a portfolio of photovoltaic plants, currently owned by Acea, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network. The Board of Statutory Auditors therefore acquired information from PwC on the methods of accounting for the transaction. As specifically indicated in IFRS 5, assets and liabilities held for sale were measured at the lower of their net book value and the fair value net of costs to sell and presented separately in the balance sheet.

The Board of Statutory Auditors, therefore, examined the Audit Plan prepared by PwC with reference to the 2021 separate and consolidated financial statements, discussing with the partners of the same about the significant risks and the key aspects identified and about the methodological auditing approach defined. Subsequently – also through discussions held from time to time on single subjects or assessment aspects – the Board of Statutory Auditors acquired the results of the audits performed by the Auditing Firm on the regular corporate bookkeeping and on the correct recognition of the operating events in the accounting records.

The Key Audit Matters identified by PwC were:

- determination of the estimate of revenue for invoices to be issued;
- investments and disinvestments of fixed assets and related impairment test;
- determination of provisions for impairment of trade receivables;
- accounting for business combinations.

The Board of Statutory Auditors ascertained the application of newly-introduced or amended accounting standards, with obligatory adoption from the 2021 Financial Statements, finding substantial alignment to those followed for the purpose of preparing the Financial Statements at 31 December 2020 and the absence of particular impacts on the financial and economic situation of reference.

As regards the issues posed by the accounting for costs related to cloud computing, while awaiting the definition of consolidated practice, and in the absence of an accounting standard of reference

on the methods of accounting standards for this type of contract, Acea has developed its own accounting policy applied to the "sales-force" contract, compliant with IAS 38. This standard states that the costs are to be accounted for as an intangible asset from the moment that the future economic benefits flow in to the company that has control over the software.

We can inform you that, with reference to financial year 2020, the Board of Statutory Auditors forwarded during 2021 to the Board of Directors the PwC's Additional Report accompanied by its own observations. The Board of Directors also examined the Letter of Suggestions, addressed to the Management by the Auditing Firm with the purpose of formulating a number of recommendations, referred also to previous years, after its auditing activity on the 2020 Annual Financial Statements, acknowledging the improvement activities launched by the corporate structures of reference, the implementation of which the Board of Statutory Auditors opportunely monitored convening, if appropriate, the owner structures of the policy actions.

The Board of Statutory Auditors examined the declaration on the independence of the auditing firm, pursuant to art. 17 of Italian Legislative Decree 39/2010, which does not describe situations which would have compromised its independence or reasons for incompatibility under the terms of arts. 10 and 17 of the same decree and of the related implementing provisions.

The Board of Statutory Auditors also acknowledged the Transparency Report prepared by the Auditing Firm, published on its website pursuant to article 13 of Regulation EU 537/2014.

To this end, during the year and in compliance with the referenced provisions on audits, the Board of Statutory Auditors approved in advance - after the related checks regarding potential risks for independence and the safeguarding measures adopted - the appointments for activities other than the independent audit conferred on PwC and the companies within its network. On this point, monitoring was also begun with the aim of verifying observance of the quantitative limits on the fees for non-auditing appointments provided for in article 4 of the aforementioned European Regulation. The Board of Statutory Auditors attests that the limit was amply observed.

We can note in addition that a specific internal regulation is in effect at the Group level, governing operations linked to these checks related to the conferment of appointments for non-audit services. In 2021, with reference to fees paid to PricewaterhouseCoopers SpA, in compliance with the regulations in effect, and to offer complete disclosure, a request was made to add to the audit fee due to greater work and greater expense with respect to the proposal made with regards to the nine-year audit appointment approved by the Shareholders' Meeting.

These requests for additional amounts were put forward in relation to cases suitable to justify this change, based on that established in the general conditions of the contract that governs audit activities. Considering the characteristics and amount of the addition, as well as the legitimate reference to the aforementioned contractual clause, the Board of Statutory Auditors acknowledged the requested addition, obtaining the assessments made on the subject by the Board of Directors.

Based also on the declaration of the external auditor, the Board of Statutory Auditors points out that in addition to the audit engagements envisaged by the Shareholders' Meeting resolution, during the 2021 financial year the PwC network was paid a fee for the following other services:

Other services provided to Acea SpA during the year 2021

Category	Subject which provided the service	Description of service	Amount (/mg)
Audit Related Service	PwC SpA	Limited audit of Acea SpA non-financial declaration	50
Audit Related Service	PwC SpA	Auditing of accounting separation schedules (unbundling) for Acea SpA	15
Audit Related Service	PwC SpA	Issuing a Comfort Letter to issue and renew the bond loan issued for the EMTN programme	120
Total certification services			185
Non-Audit Service	PwC SpA	Support for the Financial Reporting Officer for 262 tests	201
Total other services			201

The prescribed legal limit of 70% is therefore observed.

The external auditor periodically met with the Board of Statutory Auditors in accordance with the provisions of art. 150, paragraph 3 of the TUF for the purpose of exchanging reciprocal information, and did not bring to the attention of the Board of Statutory Auditors any acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to art. 155, paragraph 2 of the TUF.

Given the importance that the Board of Statutory Auditors attributes to the principle of professional scepticism that must characterise statutory auditing, a meeting was also organised between the Board of Statutory Auditors and the Quality Review Partner of PwC assigned to the Acea Group, during which the latter fully illustrated all the activities carried out with regard to the quality control of the auditing process.

In agreement with the external auditor, the Board of Statutory Auditors also defined Audit Quality Indicators whose purpose is to provide the Board of Statutory Auditors, in its function as Internal Control and Audit Committee, with support in assessing the quality of the audit, with a particular focus on the assessment of the quantitative and qualitative dimensions of the audit service, the assessment of the necessary skills of the auditor and the safeguards put in place by the auditor with regard to independence.

The agreed indicators relate to measures of the level of professional experience of people involved in the audit, the level of training they have acquired over time, the involvement of senior audit team members (the assumption being that the quality of the audit increases with higher levels of involvement of senior members), with particular regard to indicators of the workload of partners and senior managers. The level of involvement of staff with specialised expertise in the audits is also monitored, as well as indicators to ensure auditor independence with regard to fees received for non-audit services.

Supervision of the financial disclosure process

The Board of Statutory Auditors held periodic meetings with the Financial Reporting Manager (hereinafter “Reporting Manager”), appointed under the terms of Italian Law 262/2005, during which it did not report significant shortcomings in the operating and control processes that could have affected the adequacy and effective application of the administrative-accounting procedures for the purpose of correct economic and financial presentation in compliance with the accounting standards.

This presentation is confirmed by what is stated in the “Report on the Financial Reporting Manager’s activities for the purposes of issuing the declaration provided for in art. 154-bis of the Consolidated Finance Act on the annual financial report at 31 December 2021”.

The Board of Statutory Auditors, in addition, examined the internal regulations relating to the system for the internal control over financial reporting. The Internal Control and Risk Management System (ICRMS) includes, in fact, with reference to Financial Reporting, the Internal Control over Financial Reporting (ICFR) System.

The system is defined as all the activities for identifying the risks/controls and for defining specific procedures and tools adopted to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial reporting. The coordination of the various areas related to the ICRMS is governed by the “Guidelines for the Internal Control and Risk Management System”, approved by the Acea Board of Directors.

The Guidelines provide guidance for the various actors involved in the ICRMS, so as to ensure that the main risks impacting the Acea Group are properly identified and adequately measured, managed and monitored and define the information flows among the various actors and control levels to ensure that the ICRMS functions as a unified, integrated complex, on the basis of common rules and objectives and of the continual exchange of information.

For the purposes of attestation of the separate and consolidated financial statements, the Reporting Manager operated according to what is defined in the “Acea Group Management and Control Model pursuant to Italian Law 262/05” (hereinafter also “262 Model”), approved by the Acea’s Board of Directors and by the Boards of Directors of the companies “relevant for 262 purposes”. The Model 262 defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The model is supplemented by a regulation (which establishes the position of Financial Reporting Manager and regulates his/her activities) and an annex to the regulation that defines the internal information flows within the Acea Group (internal chain of certificates) to allow the issuing of the certificates referred to in art. 154-bis of the Consolidated Finance Act. In addition to the documents mentioned above, the internal control system for financial reporting consists of the manual of group accounting standards, the guide to the closure of the consolidated financial statements and the checklist for the collection and processing of accounting data at the end of the period.

When defining its 262 Model, Acea took inspiration from the principles of national and international best practices such as the CoSo Report. With reference to the Group’s IT Governance, Acea has identified the COBIT Framework as the methodological reference for governing the main processes.

This internal control over financial reporting system constitutes the condition that enables the Reporting Manager, together with the Chief Executive Officer, to issue the attestations provided for in art. 154-bis of the Consolidated Finance Act.

The companies included in the “262 Model” have been identified as either quantitatively relevant (based on total assets, net revenues, net result) or qualitatively relevant. The relevant processes have been identified using as a quantitative parameter the “materiality” applied to the consolidated financial statements (based on pre-tax profit, total assets, shareholders’ equity).

In its capacity as the Internal Control and Audit Committee pursuant to Italian Legislative Decree no. 39/2010, the Board of Statutory Auditors met periodically with the Reporting Manager and the Independent Auditors for an exchange of information that involved, among other topics, the management and control model of the Acea Group pursuant to Italian Law no. 262/2005.

The Reporting Manager launched a process of digitalisation of the 262 Model, implementing, with the support of the Technology & Solutions Unit, a new GRC (Governance, Risk & Compliance) information system with the objective of digitalising the operating methods for the issue of the attestations internal to the Group and making available to the company’s operating structures and its Top Management intuitive dashboards on the main elements of the Control over Financial Reporting System (processes, activities, risks, controls and responsibilities).

During the year the updating of all the Group’s administrative and accounting procedures was completed with reference to the significant processes included in the scope of analysis of the Reporting Manager. These administrative and accounting procedures, as provided for in the 262 Model, were approved by the Reporting Manager and certified by the Delegated Administrative Bodies of the Companies and by the ACEA Department/Unit Managers.

In the context of the analyses performed at the level of processes we can specify that, with reference to the Liability Cycle, as of today administrative and accounting procedures have been prepared to govern the phases upstream of the process (supplier database, Shopping Cart and Purchase Contract/Order, tender procedures) and the final phases of registering payable invoices and payment of the supplier. However, with reference to the stages of (i) receiving goods/ascertaining the performance/final accounting for work, (ii) issuing the goods receipt and (iii) monitoring purchases, preparation of the procedures depends on completion of the redefinition of the related organisational process.

Planning, coordinated by the Organisation and Process Governance Unit, is in progress with the objective of defining common rules, standardising and regulating the said process by the end of 2022.

The successful implementation of controls in administrative and financial procedures, ascertained by the process and risk owner and the control owner through the information system as part of the Group’s internal Certification Process, is corroborated by the implementation of an independent test Plan defined by the Reporting Manager, aimed at ensuring that the controls are effectively implemented and are effective with respect to the target set.

From the examination of the certificates made through the information system it emerged that the Internal Control System is adequate and operational with some areas of improvement, for which specific planning activities are provided for in relation to:

- segregation of duties (SoD) assessment: with the objective of analysing the SoD from the IT and systemic point of view, checking for the existence of any areas of improvement. Acea decided to identify an external company capable of providing the specialist services necessary to support a work group made up of the main corporate units. The work group will follow the project in order to formalise rules of systemic incompatibility

and to create a SoD Free and/or SoD Managed environment in the context of the Group’s processes. To define in detail the project areas and the activities to entrust to the external provider, a pilot analysis has been launched on the wages and salaries process. The provider selection stage should be completed in the early months of 2022. Given the importance of the project in question, the Board of Statutory Auditors recommends its completion in the shortest possible time;

- the framework for corruption risks and the anti-fraud prevention and control model: in order to mitigate the crime of corruption and promote the transparency of all corporate processes, the Company has launched a planning process for obtaining ISO 37001 certification in the context of which it plans to set up a Compliance Unit which will have specific responsibilities in the field of corruption prevention. The Risk & Compliance Unit, as the second-level control and oversight function, follows the planning activities with all the owners involved, management and first-level oversight units, engaged as the first managers of the processes underlying the activities exposed to the risk of corruption. The conclusion of the planning process, with the certification, is expected by the end of 2022. In continuity with the above planning, and also considering the results achieved, ad hoc planning will be launched for the definition of a “Group Anti-Fraud Model” of the “preventive” type. To this end it will be necessary first of all to identify a complete corporate Framework that takes into account also the planning activities identified for the purposes of ISO 37001 certification and the Framework on anti-corruption. As things stand there are mitigating activities performed by the Internal Audit Function (investigation and detection audit activities).

From the examination of the attestations made through the information system by the Companies and the Acea Functions, we can note that the Group control system is “standardised” (that is it is operational and documented).

During periodic meetings with the Board of Statutory Auditors for the purpose of exchanging information, as in the “Report on the Financial Reporting Manager’s activities to issue the declaration provided for in art. 154-bis of the Consolidated Finance Act on the annual financial report at 31 December 2020”, the Reporting Manager did not report any significant shortcomings in the operating and control processes that could affect the opinion on the adequacy and effective application of the administrative-accounting procedures, in order to provide a correct economic and financial representation of operations in accordance with the international accounting standards.

At the end of the assessment process carried out up to now, on the basis of the activities performed, with regard also and taking into account the assessment of the results of the test activities conducted in accordance with the monitoring plan of the control system on the process of formation of the financial reporting, and the areas of improvement identified in the context of the activities conducted for attestation purposes, Acea’s Reporting Manager decided that he could sign with no objections the attestation of Acea’s separate and consolidated financial statements at 31 December 2021.

The Reporting Manager also confirmed that he had financial autonomy, to be exercised in harmony with the Company’s general guidance and observing the existing procedures, discussed with the delegated administrative body on approval of the annual budget; on this point he specified that the budget available in 2021 was adequate and was used to provide operational support for the management of the 262 Model and to perform auditing activities on the

effective operation of the Internal Control over Financial Reporting System.

The Group continued also with its specific strategy for training employees on the internal control over financial reporting system, through the provision of e-learning courses that were successfully passed by a significant percentage of participants.

Therefore, the Board of Statutory Auditors recommends that the Group should continue along the virtuous pathway of continually refining the current set-up of its administrative accounting system, in terms of accounting policies, processes, and procedures and the organisational, IT, data governance and testing system structures (with particular reference to automatic controls).

In the light of the information received and the documents examined, having noted the activities under way, also considering the support provided to the Reporting Manager by the Internal Audit Function, which has specialist IT skills available to verify the design and functioning of the IT General Controls, the Board of Statutory Auditors has no observations to make to the Shareholders' Meeting on the functioning and adequacy of the administrative accounting system.

Supervision of the non-financial reporting process

In the context of the performance of the functions attributed to it, the Board of Statutory Auditors supervised — among other things meeting periodically with the structure responsible and discussing with the Auditing Firm — the observance of the rules contained in Italian Legislative Decree no. 254 of 30 December 2016, in particular with reference both to the preparation process and to the contents of the Non-Financial Statement.

To that end, having examined the declaration made by the Auditing Firm pursuant to art. 3, paragraph 10 of Italian Legislative Decree 254/2016 and the declaration made by the same relative to Report on the Consolidated Financial Statements pursuant to art. 4 of the CONSOB Regulation implementing the above Decree, the Board did not identify any issues of non-compliance and/or breach of the reference regulations. The attestation includes a limitation of scope with reference to the recent EU taxonomy of sustainable activities. The purpose of a limited assurance appointment is not to verify the correctness of specific reporting areas, components or information resulting from the Non-Financial Statement (“NFS”) but rather to verify according to a limited level of assurance that the same, as a whole, is prepared in accordance with what is indicated in Italian Legislative Decree 254 and in the reporting standards of reference adopted.

The auditor also carried out sample checks on the processes that support the acquisition and consolidation of the quantitative and qualitative data set out in the statement and substantial tests on the performance indicators (KPIs) defined according to the standards adopted or defined by the Group (GRI).

The Board of Statutory Auditors examined, to the extent of its responsibility, the process that led to the definition and, consequently, to the identification of the corporate scope for the consolidated non-financial statement for financial year 2021. The Board of Statutory Auditors also acquired from the competent internal structures information on the project for the evolution of the materiality analysis. This project had the aim of developing an evolution of the materiality analysis process, making the most of the contribution of the Group Functions/companies, in particular by involving Sustainability Ambassadors/Representatives of the Group's water companies engaged in preparing the corporate 2020 Sustainability Report (Acea Ato 2, Acea Ato 5, AdF, Gori)

in every single stage of the process. This approach intended to enhance the ability of the process to represent the Group's materiality, identifying, in a coordinated and more consistent manner, the specific needs of the operating companies and their stakeholders.

The Board of Statutory Auditors acquired from the competent internal structures information on the evolution of the GRI Standards, on their evolution and on the assessments of applicability of the new specific standards for the non-financial reporting cycle of financial year 2021, acquiring also from the competent internal structures information on Regulation 852/2020 (the so-called taxonomy), its impacts on the 2021 NFS and the project created in this regard by the Company during 2021, which involved as well as the Investor Relations & Sustainability Function also the Administration, Finance and Control Department and the operating companies in the NFS scope. This project was created to facilitate the achievement of compliance on the information to be included in the consolidated non-financial statement (under the terms of Regulation 852/2020) making known the key performance indicators (KPIs) and in particular the portions of turnover, capex and opex attributable to the “ecosustainable” activities managed.

The Board of Statutory Auditors was informed by the competent internal structures on the results regarding the Standard Ethics Rating and the possible inclusion of Acea in the Standard Ethics Mid Italian Index which will be active from June 2022. As regards the rating received from Standard Ethics, the long term expected rating (EE+) was confirmed.

The Board of Statutory Auditors notes that the sustainability management events assume today great significance, in a perspective integrated with the economic and financial data, in the light of the evolutions of the competitive and legislative context and the requirements of the investors, institutions and stakeholders. In keeping with this guidance is the process undertaken by Acea starting from the activity of planning and achievement of sustainability targets, in coordination with the business planning process, the implementation of a performance management system, integrating into it the ESG targets, and the definition of an enterprise risk management system with the purpose of integrating the ESG risks into the taxonomy of the risks in question.

The performance management system in force, as an integrated governance instrument, both in the long term (LTIP) and in the medium term (MbO), includes a composite sustainability indicator, with a percentage weight in line with the best practices of the market.

With regard to the subject of climate change, in the year a first project was carried out to align to the international recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which analyses the climate risk management approaches by the organisation, and which the Board of Statutory Auditors hopes that over time the Company will adopt.

During 2021 the Group Vendor Rating project continued and is now at the final definition stage; this will monitor the performance of suppliers on indicators related to punctuality, quality and safety and which, to promote sustainability also along the supply chain, adopted the Ecovadis model which assesses the performance of vendor companies on the basis of 21 ESG criteria (environment, work and human rights, ethics and sustainability in purchases).

At the end of the year Acea also adopted the Manifesto “Together to Tackle Energy Poverty”, promoted by Banco dell'Energia, supporting the project “Energy in the Suburbs”, sponsored by the Lazio Region and implemented with Banco dell'Energia and numerous other institutional, business and third-sector partners, to deal with

energy poverty situations, in support of families in difficulties who live in some quarters of the inner suburbs of Rome.

As regards the Suggestions Letter prepared by the Auditing Firm after its activities involving the Non-Financial Declaration for the year 2020, the Board of Statutory Auditors verified that the recommendations contained therein were duly considered by the Company's structures.

In consideration of the centrality of ESG (Environmental, Social and Governance) issues, for which the 2022-2024 Strategic Plan envisages full integration into the Group's business model, the Board of Statutory Auditors met periodically with the Corporate Functions responsible (including the Sustainability structure) for an update on all the planning launched in this context, on the initiatives already completed and on the actions planned (on the basis of a structured transversal project), in order to establish a more robust overall framework on the subject with the intention of better responding to the expectations of the stakeholders (all described in more detail in the Notes to the Statements and in the Non-Financial Statement).

The Board of Statutory Auditors highlights the work carried out by the Company to ensure consistency between the UN Sustainable Development Objectives ("Agenda 2030"), the value guidelines expressed in the Acea Code of Ethics (currently being revised) and the Group's strategic objectives.

From this point of view, also in the light of the issue of a Green Bond during 2021, the Board of Statutory Auditors recommends the definition of a Sustainable Investment Reporting Framework.

The Board of Statutory Auditors stresses also the importance of a fair ecological transition that can contemplate, as well as the environmental aspects, also the economic and social ones, and which put the person in the centre, as protagonist of the transition and beneficiary of its effects. In the background, the scenarios of a near future in which institutions and markets, businesses and civil society are called upon to rethink the production models to combine economic growth and sustainable development in pursuing the objectives of Agenda 2030 and of the EU Green Deal.

In the opinion of the Board of Statutory Auditors, the issue of climate change is of particular importance and represents one of the elements demanding the greatest attention from a social, environmental and economic point of view, as evidenced by the positions expressed by the European Union or by qualified international bodies, such as the TCFD (Task Force on Climate-related Financial Disclosures) set up within the Financial Stability Board.

Particularly important for the Board of Statutory Auditors is also the implementation in most of the Group companies of suitable integrated management systems certified according to UNI EN ISO standards, monitored by Acea's Quality, Environment, Safety and Energy Function, which facilitates environmental compliance and a sustainability policy that guides the Group's approach to respect and protection of the environment, also in line with the principles specified in the Code of Ethics.

In consideration of the importance of sustainable development and, in general, of the centrality of ESG issues, with reference to the disclosure related to non-financial data, the Board of Statutory Auditors, while it acknowledges positively the activities concluded and/or being completed, has formulated the recommendation to promote all the necessary initiatives (also involving training and information) to strengthen the internal control system on the subject (system of internal control on non-financial reporting), to be developed in keeping with what has already been done with reference to the internal control system related to financial reporting.

Supervision of the adequacy of the internal control system, risk management and organisational structure

Internal Control System

Acknowledging the contents of the Corporate Governance Report on the adequacy and effective operation of the internal control system, the Board of Statutory Auditors reviewed the 2021 Reports of the Internal Audit Function and the Control and Risks Committee. In particular, the Board of Statutory Auditors points out that during the year:

- the necessary functional and informative liaison was maintained with the Control and Risk Committee, the Oversight Committee and the Heads of the Internal Audit and Risk & Compliance Functions on the methods of carrying out the assessment and control tasks entrusted to them, relating to the adequacy, full operation and effective functioning of the internal control and risk management system, as well as the results of the audits performed by the Internal Audit Function in accordance with the audit plan approved by the Board of Directors and the results of the risk assessment carried out by the Risk Management Function;
- it noted that the Control and Risks Committee issued the relevant opinions, as required by the Code of Conduct for Listed Companies, without finding any critical issues to be included in this report.

Acea has adopted an Internal Control and Risk Management System (hereinafter also referred to as the "System" or "ICRMS") consisting of all the people, tools, organisational structures, rules and regulations designed to enable the Acea Group to be managed soundly, correctly and consistently with corporate objectives through an adequate process of identification, measurement, management and monitoring of the main risks.

The Guidelines constitute one of the fundamental elements for the development of a "Control Model" of the Acea Group, which is nearing completion, a model that has undergone rapid development over the last few years. Specifically:

- the "ERM – Governance" project has been launched; this defines the model for identifying, assessing, managing and measuring risks, the monitoring methods, and the information flows among the various Group Companies in the ERM context. The ERM Governance Model implemented in the Acea Group is based on 4 fundamental pillars: (I) Risk Model and periodical Risk Assessment that calls upon the entire Group to identify, assess and define strategies to respond to different risk scenarios, and to monitor continuously the progress of response actions; (II) Risk Appetite Framework which makes explicit (at the moment only through a Risk Statement) the risk profile that the Group is willing to accept to achieve its objectives; (III) Key Risk Indicators Framework which has the purpose of assessing the change in exposure to "operational" risks of the organisation by identifying, regularly updating and integrated reading of "sentinel" metrics and (IV) updating of the ERM Guidelines to spread and standardise the culture on ERM issues within the Group;
- the "Group Regulation" has been issued and distributed; this defines the operating rules of the Group governance defining the relationships among the Companies that make it up. This document constitutes the fundamental element from which the choices on organisational structures and attributions of delegations and powers must be promptly developed, with particular

reference both to the relationship between the holding and the operating companies and to the precise definition of the areas of responsibility for the governance and service activities performed by Acea SpA;

- a great impulse has been given to the Internal Regulatory System. In particular, within the Human Resources Department the Organisation and Process Governance unit has been set up; this has launched a project for the definition and diffusion of the Guidelines on the internal regulatory system and for the updating of the existing body of procedures. Since June 2021, numerous internal regulatory instruments have been updated and a plan has been presented which provides for the updating of further documents (of which some have been identified as “priority”) within the next few months of 2022;
- the project for the certification of the Management System for preventing corruption has been launched and almost completed; this system is an effective instrument for preventing and countering corruption phenomena. The certification should be obtained in 2022.

The Manager of the Internal Audit Function periodically updated the Board of Statutory Auditors on the activities carried out and the main results of the audits performed, communicating the corrective actions identified and discussed with the Company’s management, indicating implementation deadlines and specific implementation responsibilities.

The 2022 Audit Plan takes into account i) the results of the 2020 ERM process (and it will be updated on completion of the risk assessment at the end of 2021); ii) the need to monitor the compliance measures pursuant to Italian Legislative Decree 231/01 of Acea SpA and of the operating subsidiaries which have adopted the Organisation and Management Model pursuant to Italian Legislative Decree 231/01; iii) the need to supervise the foreign compliance program in relation to the foreign subsidiaries; iv) the need to recognise the Governance Model of the operating subsidiaries recently acquired and the investees recently consolidated, through an analysis of the Entity Level Controls and IT General Controls, in order to assess the adequacy of the existing ICRMSs; v) any needs of the Management and Control Bodies of the Group Companies (Boards of Statutory Auditors and Oversight Committees of the subsidiaries within the scope); vi) the results of the control activities of the 2nd level oversight.

The documents presented during the periodic exchange of information with the Board of Statutory Auditors summarised the results of the audits carried out – both planned and on request – underscoring the macroprocesses analysed, the companies involved and the summary opinion of the internal audit function on the process control system for each audit. For each completed audit, based on the findings, suggestions and recommendations, improvement plans were issued by the managers of the processes analysed and the companies concerned; these specify, for each activity to be implemented, the responsibilities and implementation times, monitored periodically by the Internal Audit Function.

Their implementation by the agreed deadline is considered essential and not postponable by the Board of Statutory Auditors.

The ICRMS assessment by Internal Audit takes into account not only the individual areas of improvement identified during the audits performed, but also the projects launched by the Company and nearing completion, aimed both at strengthening the structural components of the Internal Control and Risk Management System and at incorporating these elements into the more general organisational and corporate governance structures.

In the context of monitoring the significant processes of the ICRMS, the various extraordinary phenomena – highlighted by the Key Risk Indicator identified – were all analysed and verified by Internal Audit and, after these activities, no irregularities emerged.

The testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being some areas for improvement related to IT governance and to the definition of an SoD matrix.

The discussions held during the year with the managers of the 2nd level audits and their reports show adequate resilience of the ICRMS and highlight aspects for improvement already included in the planning activities in progress.

The audits carried out by the Internal Audit Function highlighted the absence of critical aspects that could adversely affect the reliability of the ICRMS as a whole, also the residual situations in which the internal regulatory system has not yet been updated with respect to the best practices. The remaining corrective actions identified in the context of the audit activities conducted in the last 3 years which as of today have not yet been completed, will be defined through the completion of the update of the corporate Regulatory System (planned during the first half of 2022) and in the various projects in progress (in particular SoD and implementation of the group management and coordination regulations). From the combined analysis of the aforesaid results, the Internal Audit Function found that some residual design gaps highlighted have not generated, in operations, situations such as to undermine the resilience of the Internal Control and Risk Management System adopted by Acea SpA and by the subsidiaries, which it therefore concluded was functioning, adequate and consistent with the current Guidelines of the ICRMS.

A System that the Board of Statutory Auditors considers can be further strengthened in its structural components and its integration into the more general organisational and corporate governance structures after the completion of the ERM Governance, SoD and Group Regulation projects (which requires the strategic choice of placing decision-making points, control oversight and the related responsibilities in the relation between parent company and investees) currently nearing completion.

The Board hopes also that further coordination is promoted between control oversight, of both second and third level, with reference to both planning activities and, above all, in the process of ever-increasing integration and efficacy of reporting to the Corporate Bodies on findings resulting from audits performed. On this point, it believes that initiatives to homogenise and coordinate control oversight can be implemented including, in particular, the approval of a shared methodology used to assign scores to findings and corrective actions identified. This activity could therefore be used to prepare an integrated Tableau de Bord for all Control Functions (including the Reporting Manager, inserting also suggestions made in the Management Letter), an important objective to be achieved with an eye to avoiding overlaps, making the process of monitoring corrective actions more efficient and enabling informed choices on priorities in the allocation of the resources available.

The process could also call for the creation of an integrated application platform, to guarantee a uniform approach to the collection and sharing of data resources by each Function, and to offer organic reviewing of information flows (between departments and to Bodies/Committees).

These could be the objectives for an Internal Control System Coordination Committee, to which the results of audits could be re-

ported, as well as evaluation of residual risks and, more generally, assessment of the adequacy of the SCIGR.

In this regard, the Board recommends the continuation of activities intended to study in depth the automatic control system, already in use by the Internal Audit Function. In fact, this area of development follows the opinion stated multiple times by the Board that the implementation of an evolved control framework, making use of new technology and tools for data analysis and processing, is the foundation for ever greater efficacy and predictive capacity in the Control System. The Board of Statutory Auditors recommends therefore to continue in the Digital Transformation project undertaken by the Internal Audit Function, aimed at developing innovative models and solutions of continuous auditing of the Internal Control System.

The use of Data Analytics Tools, alongside the “traditional” internal control system, enables in fact the Internal Audit Function to strengthen the monitoring activities and to increase the effectiveness and timeliness of the control actions, intercepting potential anomalies, irregularities or suspected frauds.

The Board was also informed of the launch of a project to update the Guidelines of the ICRMS in order to align it with the changes made to the organisational structure of Acea SpA, with the adoption of the new Corporate Governance Code, and with the issue of the Group Management and Coordination Regulations and the Governance Guidelines on the Group Regulatory System. The Board considers the said update, to be implemented in parallel with the preparation of updated Group Governance Guidelines (including the governance information flows) implementing the Group Regulations, of great importance for a further improvement of the overall progress in corporate governance and in the internal control system towards the best benchmarks of reference.

At the same time, the Board recommends also progressive strengthening of the first level control model. Also in the light of the results of checks and audits performed by the Audit Function, the Board has recommended that special attention be paid to the substance of controls implemented at the first level. In this context, it is important that a control culture be promoted, also by top management, not to be seen as a negative concept, but rather as a tool to support the business.

The Internal Audit Manager informed the Board that the functional hierarchical positioning, the constant dialogue and the exchange of information with the company’s top management, the board committees and the control bodies ensured that the IA Function had full access to all the useful information for performance of its duties, full independence and autonomy of judgement.

With reference more in general to the management of remedial actions and, in particular, in relation to observance of the deadlines for finalising the activities, the Board of Statutory Auditors requested ever-greater empowerment of the structures that are owners of the actions and greater incisiveness of the Corporate Internal Control Functions in requesting closure of objections.

As part of its supervisory activities, the Board of Statutory Auditors also considered the current effectiveness of the Acea Group’s quality, environmental, safety and energy management system.

During 2021, the Integrated Certification Systems Unit of Acea SpA performed audits on all processes included in the management systems, as defined by the annual calendar of internal audits. All audits related to maintenance of the certifications in being for 2021 ended with positive results. Activities are in progress with the aim of obtaining 37001 certification in the anti-corruption field. All the Group companies are certified for quality (9001) environment (14001) and safety (45001), with the energy-intensive companies that are certified also for energy (50001) and some companies

have Biosafety Trust Certification. Activities are in progress with the aim of digitalising the certification management process.

Similarly, the Board of Statutory Auditors supervised the issues related to safety in the Acea Group, in particular further assessing the role played by the parent company in Safety Governance, the trend of the accident indices and the existing cross-cutting initiatives/projects aimed at organisational well-being, the protection of diversity and the protection of disabilities. Special attention was obviously paid to provisions implemented by the Company to guarantee the health and safety of employees and all individuals who interact with the Group during the current health emergency.

The risk assessment was updated according to what is prescribed by Italian Legislative Decree no. 151 of 26 March 2001, with particular regard to exposure to physical, chemical or biological agents and examining all the aspects of the work activities to identify dangers and probable causes of lesions or damage, and to establish how these causes can be removed, in a way such as to eliminate or reduce the risks.

Under the terms of arts. 36 and 37 of Italian Legislative Decree 81/2008, the Manager of the Prevention and Protection Service, in collaboration with the Manager of the Safety Process Development Unit, prepares at the beginning of the year the annual worker training, information and coaching programme on the basis of the results of the Risk Assessment.

The pandemic scenario and the current one of recovery have been and are complex. Feeling the need to control the risk of stress introducing mitigation processes and instruments, the Workplace Safety – Safety Process Development Unit decided to plan a series of activities that included the course “I-CARE – for personal and professional wellbeing”, an articulated and structured pathway aimed at promoting initiatives oriented to supporting the ability to handle, also psychologically, the extraordinary period and the new demands associated with the current and future changes. The initiative was situated, therefore, within the frame of measures to prevent and limit potential risk of work-related stress, due to the repercussions of the emotional, physical, psychological, personal and occupational overload caused by the Covid-19 emergency, in line with the provisions of Italian Legislative Decree 81/2008.

Already over the last few years more attention has begun to be given to the safety performance of companies working as contractors for the Acea group. As well as the usual assessments of the compliance of contractor companies with the safety rules, a meeting was called with the representatives of a number of important companies for the purpose of making firms that work for Acea more aware of safety policies and to open a constructive process on these subjects. A fundamental point for achieving the objective is the “Sustainability and Safety, a virtuous pair” project, which is carried on in synergy with the Group Companies and the contractor companies, in order to standardise and integrate the vendor assessment and control activities.

In this regard the Board of Statutory Auditors recommends also constant activities to control the safety systems existing at work sites opened by the subsidiaries.

2021 stands out also for the implementation of one of the most important corporate initiatives carried out for the benefit of the community. Acea, in fact, was the first Italian multiutility to have made one of its offices operational as a vaccine centre, making a concrete contribution to the national and regional vaccination campaign. Through the structure created, from May to December 2021 more than 100,000 doses of vaccine were administered for the benefit of the whole community.

The Board of Statutory Auditors also found that in its internal processes the Company implements the measures envisaged by the Privacy Authority and acts in substantial compliance with the provisions of EU Regulation no. 679 of 27 April 2016 (“GDPR”), of Italian Legislative Decree no. 196 of 30 June 2003, as amended by Italian Legislative Decree no. 101 of 10 August 2018 and other applicable regulations on the protection of personal data.

The overall judgement on the status of compliance with the GDPR in Acea SpA expressed by the Data Protection Officer is positive with some areas of improvement for which specific action plans have already been launched.

The Board of Directors approved the privacy guidelines which lay out the organisational model and the roles and responsibilities of the subjects involved within the said model; these elements combine to increase the accountability and awareness on risk management related to data protection.

The said guidelines also regulate Acea’s guidance and control activities and illustrate objectives, principles and activities related to privacy issues. Acea SpA, as the Holding of the Acea Group, performs in fact management and coordination activities in relation to the subsidiaries. Through the Risk & Compliance Function, Acea SpA defines the architecture of the Group Privacy Governance Model and, through the Data Protection & Privacy Security unit, interfaces with the Privacy Units of Functions and Companies. In addition, the Data Protection & Privacy Security unit ensures the correct implementation of the Model monitoring the risk levels associated with the processing carried out and the adequacy of the protection measures implemented, collaborating with the Process Owners in defining compliant solutions for processing related to complex and/or transversal processes and on projects of high complexity.

The model also includes a structured and diversified training plan for the data protection area with a specific focus on the parties that contribute to the privacy governance model (privacy units) and provides for a specific control framework to verify adherence to the Model, on the basis of which the Data Protection Officer will perform, every year, monitoring activity on the Privacy Management system implemented in the organisation of the Data Controller, so as to identify and address potential misalignments with respect to the applicable framework/legislation (extended to monitoring also on the subject of the vendor system).

Therefore, the Board of Statutory Auditors reaffirms that it considers the protection of personal data held by the Acea Group to be a founding value of the corporate identity, and as such it must necessarily become a constituent element of the management of the company’s processes and procedures at all levels, with a widespread awareness among employees of the importance of what is needed for this purpose.

Additionally, the Board of Statutory Auditors favourably noted the attention paid to the regulatory aspect by management, also through setting up a dedicated company unit. The Board of Statutory Auditors met the new manager of the Regulatory Function who has activated, among other things, a regulatory compliance project, the completion and implementation of which the Board considers very significant for achieving an overall assurance of compliance for the company bodies.

A process that must lead to the prompt approval by the board of directors of Regulatory Compliance Guidelines to be developed later into an overall system of dedicated processes, procedures and systems of management, reporting and monitoring.

With reference to the antitrust compliance programme, following the initial stage of implementation, measures to strengthen and

enhance company safeguards were developed, as well as improving awareness within the Group and its individual companies. In particular, the following were carried out:

- activities to review and update the Group Antitrust Compliance Programme, including updating of the Antitrust Compliance Model in the light of the evolution of the jurisprudence, the application practices of the national and community Authorities and the main market benchmarks, refining the risk assessment methodology from a forward-looking perspective;
- risk mitigation actions through strengthening the internal oversight;
- continual monitoring and specialist consulting activities;
- training and communication activities that involved all the Group’s personnel and all the Companies’ Antitrust Representatives;
- activities of supervision and monitoring of the actions aimed at approval and implementation of specific Antitrust Programmes by all the Companies that come within the current scope of operation of the Programme.

With reference to the activities of the Ethics Officer, responsible for monitoring observance of the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders, as well as the adoption of an open, transparent and confidential system that allows anyone to contact this Ethics Officer and report alleged violations of the Code of Ethics (“Whistleblowing” system), the law, the internal rules governing the Group’s activities and any conduct in breach of the principles of conduct that the Acea Group has given itself, the Board reaffirms the importance of training the employees on the subject and of implementing awareness campaigns aimed at encouraging greater use of this opportunity by the parties involved.

The Board of Statutory Auditors is also awaiting publication of the decree transposing Directive (EU) 2019/1937 to monitor the need for any necessary changes to internal regulations on the subject.

During 2021 a number of reports were received by the Ethics Officer, of which some not relevant. The relevant ones were all analysed and dismissed as they were not substantiated or were judged to be groundless, with the exception of one case in relation to which stronger controls of the corporate procedures were ordered.

The Company is currently finalising an update of the Code of Ethics, considered by the Board of Statutory Auditors an essential element of the overall corporate culture.

The Board of Statutory Auditors also ensured a continual exchange of information with the Oversight Committee.

In 2021 the Board of Directors approved an update of the 231 model in order to incorporate the changes that had occurred in the legislative and organisational context. The model was updated with the support of an advisor and entailed the adoption of a 231/01 risk assessment and gap analysis methodology developed and conducted according to the Confindustria Guidelines. In the light of the update made, the Board of Statutory Auditors considers that it is important to implement an overall communication and training plan on the new model in relation to the Group’s employees, and a plan of communication to the group companies for the implementation assessments that they are responsible for.

Activities are in progress to resolve the areas of improvement identified both with reference to the previous model and with reference to the recently implemented model.

The Board of Statutory Auditors, in agreement with the Oversight Committee, recommended, in this regard, the conclusion of the related corrective actions as soon as possible (with particular ref-

erence to the aspects of improvement related to the approval of a procurement procedure and a sponsorship procedure).

Risk Management System

Acea SpA has put in place for some time now a system aimed at allowing the main risks relating to the Company and its subsidiaries to be correctly identified, as well as adequately measured, managed and monitored, with the aim of determining the degree of compatibility of these risks with a management of the company consistent with its strategic objectives.

In this light, with the support of a leading consultant, the Company has begun an Enterprise Risk Management programme with the aim of defining an overall system of tools and methods to be used to support a process of identifying and measuring business risks.

This project, still being completed, enabled the competent Risk Management Function to perform a Group risk assessment process for the purpose of identifying and analysing the main risk scenarios relevant for the Group, highlighting any response strategies prepared by the management to reduce the risks to a severity level considered acceptable and in keeping with the business plan objectives.

The process involves an analysis of the main risk scenarios on the basis of a selection of significance of the variability issues (types of risk) with respect to the managerial objectives of the period (Business and Sustainability Plan, Budget), carried out respectively by the Top Management of the Group Companies and Directors/Managers of Corporate Functions. In this context a specific assessment of scenarios with ESG impacts was also recently introduced. The activities are performed using the ServiceNow platform, an instrument which has made it possible to consolidate the process, improving the collection, reliability and storage of the data.

The significant risks are mainly linked to issues typically connected with the discontinuous trends of the political and social context, the organisational framework and overall Group governance, compliance with transversal regulations and financial profile (overseen in Corporate), and also issues typically connected with the trends of legislative/competitive-regulatory evolution, including permitting, service quality, commodity management, environmental impacts and/or impacts of natural phenomena with reference to the infrastructures managed and in general to full compliance with the laws, primarily on safety (overseen directly by the various businesses).

During the previous year the Risk Management Function was able to note the full implementation of the mitigation actions identified to limit the risk scenarios as proposed by the management in the risk assessment phase.

The Company also defined a Framework of Key Risk Indicators, aimed at enabling quantitative monitoring over time of exposure to the risks identified at the Group level, to be shared with the corporate top management in periodic informative reporting.

Similarly risk identification and assessment activities were implemented both in the processes aimed at acquiring businesses (risk analysis, both during the preliminary and Due Diligence stages with regard to the company to be acquired, for the purpose of supporting corporate decision-making with risk-informed analysis, developed in an integrated manner, strengthening assessments of extraordinary transactions by acquiring useful data and information about the complexity and costs of the post-closing integration plan for companies acquired by the Acea system) and in the planning and budgeting processes.

The Company also approved an update of the Risk Policy (which governs the roles and responsibilities of the subjects involved and the control activities relating to Enterprise Risk Management) to

include in it what is related to the process aimed at definition and analysis by the Board of Directors of a Group Risk Appetite Framework (currently still limited to qualitative assessments of consistency of the risk scenarios, net of the mitigation actions identified by the management, with the corporate objectives).

During the previous year a commodity risk management policy was approved (with particular reference to the activities involving the energy market), of great importance given the risks connected with the volatility of energy commodities, and of which the Board of Statutory Auditors recommends continual and constant application with a view to prudence.

Activities are in progress with the aim of developing the risk scenarios identified in an overall taxonomy of business risks to be combined with the related risk owners and the business processes assigned as their responsibility, both at the corporate level and at the level of the various corporate businesses. As also the activities aimed at identifying the Key Risk Indicators to be included in the Risk Appetite Framework so as to develop the current assessments by the Board of Directors, of a qualitative type, into an overall system of quantitatively defined limits as a framework of reference for the management's operations.

Limits to be defined (gradually and increasingly from a forward-looking perspective and less and less as definitions based on final balance logics) both at the overall Group level and at the level of operating subsidiaries / business units.

Lastly the Board of Statutory Auditors reaffirms its conviction that, given that the Acea Group has a significant presence in the management of regulated infrastructures of strategic significance for the supply of essential public services to the communities of reference in which it operates, and has developed significant planning initiatives aimed at reducing the risk inherent in the said strategic infrastructures, it is necessary for the related planning and execution activities to be developed over time with great attention to the implications inherent in virtuous and sustainable financing over time of the work to be done.

Organisational Structure

The Board of Statutory Auditors examined the documentation concerning the overall organisational structure of Acea SpA. The Board of Statutory Auditors therefore noted the existence of:

- an organisational chart and related company documentation detailing the roles and responsibilities of the organisational structures;
- a structured system of delegations exercised in accordance with the roles and powers assigned to each of the functions/committees involved;
- corporate regulations for the exercise of governance by Acea SpA as part of its functions of guidance, coordination and control of the Group's legal entities;
- company regulations for the performance of the activities of each managerial function.

In this context during 2021 guidelines for the governance of the group regulatory system were approved. These are intended:

- to simplify and define the architecture of the group regulatory system, rationalising the type of regulatory instruments and placing them in a hierarchical structure;
- to define unambiguous governance of the regulatory system, establishing the rules and regulations for preparing the Group's regulatory instruments that govern the business processes, the control points and the operating tools;
- to better represent the effectiveness and efficiency of the role of management and coordination of the holding observing the

principles of autonomy, responsibility and independence of the Group companies;

- to define the information flows necessary to monitor the implementation of the exercising of management and coordination of the holding.

Similar attention should be paid to the development of the Acea Group's organisational model and the methods of making use of the management and coordination powers and duties held by the Parent Company, in particular also in the light of the recent organisational change which created the organisational position of Chief Operating Officer.

Hence, in the opinion of the Board of Statutory Auditors, current considerations being made regarding the methods for exercising management and coordination must be concluded, observing the corporate autonomy of investee companies. In fact, it is necessary to promptly proceed with a better clarification of the parent company's role of strategic guidance and governance in compliance with the principles of proper corporate management and entrepreneurial autonomy of directed and coordinated companies, including through a more complete definition of the Group's organisational architecture that better regulates the relationships between the bodies and organisational functions of the parent company and those of directed and coordinated companies, as well as the related information flows, including through a clear definition of the scope of governance and services carried out by the parent company.

Finally, in the organisational area, it is to be hoped that the Company will make use of the experience gained from the pandemic to further develop its digitalisation processes (including adequate personnel training, intended to support a radical change in the approach to work which goes beyond physical interaction with customers and/or with the company's offices) and its technological tools (to support remote work and communication methods, already strengthened during the initial stages of the pandemic), all with a view to respecting and promoting sustainability.

On this point we can note that the Board of Statutory Auditors has also reaffirmed on several occasions its opinion on the fact that the qualitative and quantitative adequacy of the corporate structures must be guaranteed and assessed also considering the presence of (or the possibility/opportunity of strengthening and/or implementing) IT supports and automation processes that improve their efficiency and operating quality.

In this context the Board recommended continuing with significant policies of investment and improvement of the IT infrastructure, both to give the corporate structures appropriate equipment, and to adapt the overall corporate information system to the complex challenges brought by the need to digitalise and implement new technologies currently available.

Remuneration policies

The Board of Statutory Auditors acknowledged that the Board of Directors approved, insofar as it was responsible under the terms of current legislation, the Report on the remuneration policy and on the remuneration paid to the Group's personnel including the section "2022 Remuneration Policy" and the section "Remuneration paid" as well as the related Illustrative Report to the Shareholders' Meeting to which the documents will be submitted.

The Policy prepared for 2022 confirms substantially the arrangement of financial year 2021, taking into consideration the contents of the 2022-2024 Strategic Plan approved by the Board of Directors.

In the context of the 2022 Policies, the Board of Statutory Auditors considered commendable, among other things,

- as regards performance targets, the setting of ESG targets related to the implementation of what is provided for on this point in the Strategic Plan;
- the adoption of the principles and recommendations provided for on the subject of remuneration policies in the Corporate Governance Code. In particular, the Policy is functional to pursuance of the company's sustainable success.

The remuneration policy defines the criteria and guidelines for remunerating members of the Board of Directors, including Executive Directors and Directors with special, for Executives with Strategic Responsibilities and for members of the Company's Board of Statutory Auditors, over a period of time coinciding with the financial year in course.

The document was prepared in compliance with the new regulatory framework (art. 123-ter of the Consolidated Finance Act), revised at a primary level by Italian Legislative Decree 49/2019, containing the provisions required for the implementation of Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017 ("SHRD II"), which amends Directive 2007/36/EC ("SHRD"), as regards encouraging the long-term commitment of shareholders. Additionally, it was prepared in compliance with the contents of CONSOB resolution 21623 of 11 December 2020, which implemented what is provided for in the SHRD II.

The Board of Statutory Auditors also noted that the Appointments and Remuneration Committee examined the first results of the succession planning process in progress and aimed at meeting organisational needs, both in emergency and scheduled, also by creating career paths capable of developing people's ability to manage complex and changing situations and activities in an autonomous and proactive manner, paths that are considered by the Board of Statutory Auditors to be of the utmost importance given the function of ensuring the sustainability of the Group's top management culture over time.

The Board of Statutory Auditors appreciated the Company's Welfare Plan covering all the Group's population. This system is based on six pillars: health, measures to reconcile life and work, complementary pensions, credit, welfare, and psycho-physical and social wellbeing, and has the three-fold objective of stimulating a greater sense of belonging, favouring wellbeing and reconciliation between private and working life, promoting new projects that include as much as possible all categories by types of needs.

The Board of Statutory Auditors similarly appreciated the 2021 Diversity and Inclusion plan aimed at consolidating Diversity and Inclusion actions to promote a shared corporate culture. The plan, promoted through an engagement campaign aimed at the entire company workforce, facilitated the structuring of principles, strategies and targets into a specific plan of measures aimed at raising awareness, informing and training Group personnel on the principles and values of Diversity and Inclusion. The Group has adopted a series of internal indicators to monitor and analyse the processes linked to the People Strategy, with a focus on gender, age, disability and culture targets, in order to observe, understand, guide and anticipate developments in the field and compare the analysed results with market best practices.

Corporate Information System

The Board of Statutory Auditors also paid particular attention to the various initiatives launched by the Acea Group with regard to development of the corporate information system and the protection of

business continuity, with a particular focus on cybersecurity issues. The Board of Statutory Auditors has always paid specific attention to the Group's Information Technology system and to its overall evolution, to be considered of essential importance in support of the business and control activities, in order to avoid the adoption of contingency actions of an organisational kind, with impacts in terms of both economic and human resources.

In recalling that the competent corporate Function has carried out an overall assessment (architecture, infrastructure, data governance & data quality, processes, work methods and sourcing strategy), in the light of which an IT Masterplan has been defined (with a view to an update of the architecture and the infrastructure, to evolution of the sourcing strategy, to revision of the IT operating model and to acceleration of digitalisation), we must stress that the Board has paid particular attention to a critical analysis of the contents of the activities planned to verify their applicability with respect to the significantly changed scenarios following the Covid-19 pandemic and the crisis in Ukraine.

More in detail, we can state also that the Board of Statutory Auditors has stressed the importance of paying particular attention to the strengthening of Cybersecurity, providing for actions to: (i) increase the security of the most-exposed areas (for example the Cloud, Online Services, Third Parties), (ii) develop solutions aimed at managing security incidents, at Business Continuity and at Crisis Management, (iii) consolidating the data protection solutions (classification, encryption, masking, tracing) in accordance with the General Data Protection Regulation and Privacy rules.

The Board of Statutory Auditors has recommended to all the structures involved to ensure the maximum commitment to achieving the objectives (considering the transverse nature of these aspects on the overall operations of the Company and the Group) regarding:

- "Data Quality", by optimising the Data Governance framework (with actions to consolidate the tools, enrich the Key Quality Indicators and develop management reporting);
- "Security", by developing the control model (introducing new controls, expanding the perimeter on third parties and the cloud), defining the process for assessing the risk of third parties (outsourcing and significant ICT supplies), optimising the customer management and assistance processes and the infrastructures in the field of Fraud Management.

The Board has also called the attention of the functions and the competent Bodies on:

- the monitoring of IT incidents, in the light of the strategy pursued by the Group of gradual development of digitalisation, the omni-channel approach and the innovation of processes and technologies;
- the dimensioning, both quantitative and qualitative, of the ICT organisational structure, in view also of the future development challenges on information and IT systems;
- the level of investments to achieve the Group's strategic objectives through evolution of the architecture, modernisation of the infrastructure, development of the IT operating model and digitalisation.

On this subject the Board recommended the adoption of suitable initiatives with a view to continual improvement and strengthening of the governance model and oversight of IT risks, the technological infrastructure, the IT architecture, the data architecture and the IT operating model, in order to increase further the level of oversight

of the systems and the quality of the services provided and to guarantee the maximum levels of security of the information system.

On this point, it should in any case be noted that the system has guaranteed continuity and reliability, also in the face of notable cyber attack attempts, also during the complicated periods of the health emergency.

The IT security strategy adopted by the Acea Group, in line with that of other major industrial corporations, calls for integrated management of Information Security, ICT Security and Cyber Security. In particular, to achieve strategic objectives and regulatory compliance, Acea has developed a security management model that is divided into three areas: organisation, processes and technologies. In this area, the operations of the Computer Security Incident Response Team (CSIRT) are also important. Among other things, they are responsible for ensuring real time monitoring of IT infrastructure and the public access data networks (e.g. Internet), to promptly identify potential threats and attacks for the Group, coordinating the necessary activities, also for OT infrastructure.

Further activities of the Board of Statutory Auditors and disclosure required by Consob

As required by art. 149 of the TUF, in the performance of its duties the Board of Statutory Auditors:

- Over saw the processes of effective implementation of the corporate governance regulations provided under the codes of conduct drawn up by regulated market management or by category associations with which Acea SpA declares its compliance. Pursuant to art. 123-bis of the Consolidated Finance Act and art. 144-*decies* of the Issuers Regulation, Acea SpA prepared the annual "Report on Corporate Governance and Ownership Structures".
- It monitored the adequacy of the instructions given to subsidiaries pursuant to art. 114, paragraph 2 of the TUF. While appreciating the efforts made, the Board of Statutory Auditors nevertheless recommended to the relevant corporate functions of the parent company to direct the subsidiaries' boards of directors to fully approve and adopt all Group policies. To this end, the Board of Statutory Auditors recommended that any differences in interpretation and application made by the investee companies be carefully monitored, also calling for the completion of internal regulations through the issue of specific operating instructions;
- It exchanged information with the Boards of Statutory Auditors of directly controlled companies as required by art. 151, paragraph 2, of the TUF. In order to allow for this exchange of information, a questionnaire was sent to the control bodies of the subsidiaries concerning the supervisory activities carried out by them during 2021 and the performance of the company's business. From the analysis of these questionnaires, which were completed and returned by the control bodies of the investee companies, no reports were made or facts emerged worthy of note in this report.

The Board of Statutory Auditors did not receive communications and/or complaints also classified as such under the terms of art. 2408 of the Italian Civil Code.

During the course of the financial year, the Board of Statutory Auditors issued opinions and expressed the observations that current legislation assigns to its remit.

In addition, the Board of Statutory Auditors reports:

- that it acknowledged that the Board of Directors has positively assessed the adequacy of its size, composition and operation,

also in light of the results of the self-assessment that was performed with the support of an external consultant with the required requisites of independence;

- that the Board of Directors has approved a Policy for managing discussions with institutional investors, and all shareholders and bondholders of Acea;
- that, aside from board meetings, it attended off-site meetings and induction sessions. Given the complexity of the agenda of Board meetings, the Board of Statutory Auditors called for reflection on the best ways to improve coordination among the various bodies in the performance of their respective functions and responsibilities, with a view to optimising increasingly integrated governance, aimed at avoiding duplication of analysis and repetition of presentations and in order to guarantee the necessary full focus of the Board on the strategic dimension;
- to have verified that its members meet the same independence requirements as those required of Directors in accordance with the recommendations of the Borsa Italiana Corporate Governance Code;
- that it found the correct application of the criteria and practices for ascertaining the requisites used by the Board of Directors to assess the independence of its members on an annual basis.

No separate meeting of the independent directors was held during the year, as they considered it unnecessary in view of the quality of the information received from the delegated bodies and their active participation in the Board of Directors and in the Board Committees.

At present, the conditions of the Corporate Governance Code for Listed Companies for the establishment of the position of lead independent director are not met, given that the Chairperson of the Board of Directors does not hold the position of Chief Executive Officer and does not have a controlling interest in the company.

As a result of the supervisory activities carried out by the Board of Statutory Auditors, no reprehensible facts, omissions or irregularities have emerged that should be included in this Report.

The Board of Statutory Auditors does not deem it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to art. 153, paragraph 2, of the TUF.

Conclusions

In view of all the above, considering the content of the reports prepared by the external auditor, acknowledging the declarations issued jointly by the Chief Executive Officer and the Financial Reporting Manager, to the extent of its remit the Board of Statutory Auditors has not found any reasons preventing the approval of the proposal for the separate financial statements at 31 December 2021 and the dividend distribution formulated by the Board of Directors.

Rome, 6 April 2022

For the Board of Statutory Auditors

The Chairperson
Signed by Maurizio Lauri



Independent auditor's report

*In accordance with article 14 of Legislative Decree no. 39 of 27 January 2010
and article 10 of Regulation (EU) no. 537/2014*

Acea SpA

Financial statements as of 31 December 2021



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Acea SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Acea SpA (the Company), which comprise statement of financial position as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw your attention to paragraph "Trend of operating segments – Operating Segments -Water" of the report on operations and to paragraph "Equity investments in subsidiaries and associates" in the notes to the financial statements which describe:

- the fact that actions are under consideration by Acea SpA that aim at securing the subsidiary Acea At05 SpA from the financial imbalance arisen following the Area Authority's approval of the 2020-2023 tariff structure which highlighted material uncertainty that may cast

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significant doubt on the subsidiary's ability to continue as a going-concern, as well as the uncertainties relating to said company connected with (i) the ongoing tax litigation and (ii) the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the 2016-2019 and 2020-2023 tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water tariffs.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Auditing procedures performed in response to key audit matters
<p>Recoverability of the value of investments in subsidiaries and associates</p> <p><i>Note 15 to the financial statements "Investments in subsidiaries and associates"</i></p> <p>The Company recognised in the financial statements as of 31 December 2021 investments in subsidiaries and associates for an amount equal to Euro 1,968 million.</p> <p>Annually, the Company, in accordance with a specific internal policy, verifies the presence, if any, of impairment losses of investments in subsidiaries and associates in compliance with IAS 36 "<i>Impairment of assets</i>", comparing their book value with their estimated recoverable amount measured through the Discounted Cash Flow method (impairment test). Such verification is carried out on the main investments apart from the presence of any impairment indicators emerged during the year.</p> <p>The impairment test was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of</p>	<p>We addressed our audit procedures in order to evaluate if the method to estimate the recoverable amount used by the Company was consistent with what is envisaged by IAS 36 and by the evaluation practice, verifying the appropriateness of the types of cash flows used, their consistency with the Group's Industrial Plan and the mathematical accuracy of the quantification of the recoverable amount.</p> <p>In particular, our audit activities were focused on the verification of the reasonableness of the main assumptions underlying the projected cash flows and the discount rates used to perform the impairment test (also through a comparison with the budget data deriving from external information sources, if</p>



Directors on 27 October 2020 and updated to take account of the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to the financial statements for the year ended 31 December 2021, the Company's management had recourse to an external expert to perform the impairment testing.

As part of our audit activities, we paid particular attention to the risk that there could be impairment losses in the abovesaid investments, inasmuch as the process for the estimate of their recoverable amount is particularly complex and based on valuation assumptions affected by future economic, financial and market conditions which are hard to forecast.

available).

We compared the forecasts of the prior years with the corresponding final data and finally we verified the sensitivity analyses performed by the Company on all investee companies, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto.

As part of our audit activities, we availed ourselves, where necessary, of the support of the PwC network experts in valuations.

We also assessed the independence, technical capabilities and objectivity of the external experts who were tasked with carrying out the impairment tests.

Finally, we examined the adequacy and completeness of the disclosures provided by the directors in the notes to the financial statements in relation to the above-described matters.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee



that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014



On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No.39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Acea SpA as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Acea SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Acea SpA as of 31 December 2021 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 6 April 2022

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

(in accordance with art. 154-bis of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Giuseppe Gola, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea SpA, taking also account of provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
 - the consistency to the business characteristics and
 - the effective applicationof the administrative and accounting procedures for preparing the separate financial statements at 31 December 2021.
2. To this purpose, no significant issues were recorded.
3. It is also certified that:
 - 3.1 the separate financial statements:
 - a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
 - b) are consistent with the underlying accounting books and records,
 - c) provide a true and correct view of the operating results and financial position of the issuer,
 - 3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 06 April 2022

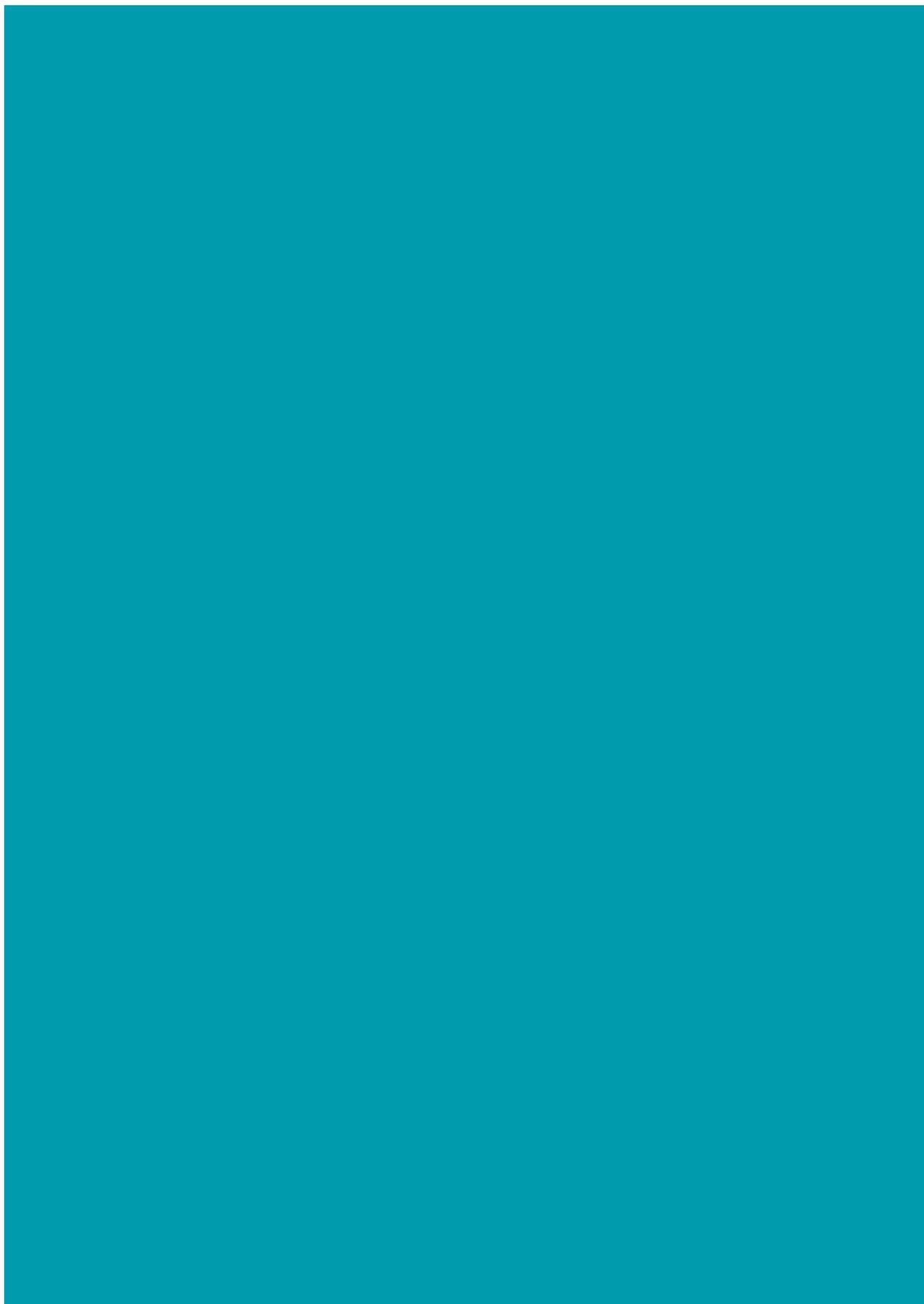
signed by:

Giuseppe Gola, the CEO

signed by:

Fabio Paris, the Executive Responsible
for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers.



3

CONSOLIDATED FINANCIAL STATEMENTS





FORM AND STRUCTURE

GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2021 of the Acea Group were approved by Board of Directors' resolution on 14 March 2022, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

COMPLIANCE WITH IAS/IFRS

These Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.

The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

BASIS OF PRESENTATION

These consolidated financial statements consist of the consolidated income statement, the comprehensive consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.

The Consolidated Financial Statements are presented in Euros and all amounts are rounded off to the nearest thousand Euros unless otherwise indicated.

The figures in these Consolidated Financial Statements are comparable to those in the previous year.

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria

for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention no. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

- for the Acea Group, the EBITDA is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS10 and IFRS 11 came into force. EBITDA is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- *financial debt* is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets";
- the *net financial position* is an indicator of the Acea Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and other Current financial liabilities net of current financial assets and Cash and cash equivalents;
- *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position*;

- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Consolidated Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues (including the estimate of the GRC), costs, assets and liabilities in the financial statements and information on contingent assets and liabilities at the reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates. The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The original estimates and assumptions are periodically reviewed and the impact of each change is immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

RISKS CONNECTED TO THE CORONAVIRUS (COVID-19) EMERGENCY

Please see the Report on Operations for a description on the main impacts the Covid-19 emergency had on the Group's activities. Note that at present these impacts have not had significant effects on the income statement, nor has it created uncertainties that would reflect negatively on the presumption of the business as a going concern.

Finally, in the "Impairment Test" section below, the execution of the impairment test pursuant to IAS 36 is outlined, done so to take into

account the global pandemic, which did not indicate a need to carry out any write-downs on the carrying values of tangible and intangible assets.

Relative to the recoverability of receivables, no particular risks were identified. From the analysis done with regards to IFRS9, no need was identified to carry out additional write-downs on the carrying values of receivables due to Covid-19.

APPLICATION OF THE IFRS5 STANDARD

In line with the 2020-2024 business plan, after authorisation from the Board of Directors on 23 December 2021 an agreement was signed for the sale of the majority stake in the company that will hold the photovoltaic plants held through Acea (Acea Sun Capital), a company currently fully consolidated. The investor was identified through a competitive process in which nine funds presented Non Binding Offers ("NBOs") and seven were admitted to the subsequent stage. The offers were the subject of careful selection which led the Board of Directors, at its meeting on 10 November 2021, to identify the offer of the British infrastructural fund investor Equitix Investment Management Ltd ("Equitix") as the one overall most in line with the Group's expectations.

The project will be carried out through the incorporation of a Newco ("HoldCo") – in partnership between Acea Produzione and the Investor which will hold the majority of the capital, 60% – which will acquire 100% of the shares of Acea Sun Capital from Acea Produzione. The sale of the shares of Acea Sun Capital to HoldCo and of the payable of the same to Acea Produzione will take place at an enterprise value of approximately € 220.3 million (referred to 100% of the portfolio of plants).

The operation involves two stages, the first and most important involves the sale of plants for a total of 105.0 MW of which 46.2 MW incentivised in the energy account, while the second which will take place during the next year will involve the plants at the moment not yet connected.

In the present Consolidated Financial Statements, in accordance with the provisions of IFRS5, these assets and the liabilities directly related to them represent a Disposal Group and therefore were measured and presented in the 2021 balance sheet, according to the provisions of the Standard. In fact:

- the assets and liabilities referable to the disposal group were reclassified among Assets and Liabilities held for sale; in keeping with the rules of IFRS5; the specific presentation is not applied to the financial balances at 31 December 2020;
- in the income statement the balances were not reclassified in the item *Net profit/(loss) from Discontinued Operations* but presented in continuity with the previous year because it was considered that the disposal group did not represent either a "major line of business" or a "geographical area of operations";
- in the cash flow statement of cash and cash equivalents, the cash flows generated by the perimeter involved in the operation were reclassified to specific dedicated items.

For more information on the application of the IFRS5 standard and the related effects on the present Consolidated Financial Statements please see the note "Information on IFRS5".

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

The scope of consolidation includes the Parent Company Acea and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.

According to accounting standard IFRS10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses

control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

According to IFRS 11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement. To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.

In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.

The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence.

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment.

CONSOLIDATION PROCEDURES

General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under

IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.

If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IFRS9, in the income statement or among the other components of the comprehensive income statement. The costs directly attributable to the acquisition are included in the income statement.

The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS3.

Business combinations involving solely entities under common control

Business combinations which involve companies which are, definitively, under the control of the same company or the same companies both before and after the combination, and this control is not temporary, are classified as "Business Combinations of entities under common control". These are excluded from the scope of application of IFRS3, nor are they governed by other IFRS. In the absence of a relevant accounting standard, the selection of the accounting standard for these transactions, relative to those for which a significant influence on future cash flows cannot be demonstrated, is guided by the principle of prudence, which leads to the application of the criteria of continuity of values for the net assets acquired. Assets are recognised at the book values found in the accounts of the companies acquired (or that of the selling company) prior to the transaction or, alternatively, the values found in the consolidated financial statements of the common parent company. Particularly with reference to the above transactions, relative to the sale of a business unit, treatment of the difference between the contractually defined payment and the accounting value of the business transferred is differentiated as a function of the equity investment relationships between the entities involved in the transfer. Relative to transfers of business units under common control, on the other hand, regardless of the pre-existing investment relationship, the transferring entity must recognise the business transferred at its historic accounting value, increasing its shareholders' equity by the same amount; the receiving entity must symmetrically recognise the equity investment in the transferring entity for an amount equal to the increase in the shareholders' equity of the latter. This

accounting treatment makes reference to that proposed by Assirevi in its Preliminary Guidelines on IFRS (OPI no. 1 Revised) – “Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements”, issued in October 2016.

Treatment of put options for shares of subsidiaries

Based on the provisions established under standard IAS 32, paragraph 23, a contract which contains a requirement for an entity to acquire shares for cash or against other financial assets, gives rise to a financial liability for the current value of the price to exercise the option. Therefore, if the entity does not have the unconditional right to avoid the payment of cash or other financial instruments if and when a put option is exercised on shares of subsidiaries, it must recognise this debt. All subsequent changes are recognised in the income statement. The same accounting treatment applies when, in addition to a put option, there is also a symmetrical call option, referred to as *symmetrical put and call options related to non-controlling interest*. The Group considers shares subject to put options (or to symmetrical put and call options) already acquired, in cases in which the economic benefits and risks linked to actual ownership of the shares does not remain with minority shareholders. Therefore, in these circumstances, it does not recognise the interests held by minority shareholders in the consolidated financial statements.

Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS5.

Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euro by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the Euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete divestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders' equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised in the income statement.

SCOPE OF CONSOLIDATION

The Acea Group's Consolidated Financial Statements include the financial statements of the Parent Company, Acea, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Furthermore, the companies on which the Parent Company exercises joint control with other shareholders are consolidated using the equity method.

A) CHANGES IN THE SCOPE OF CONSOLIDATION

Compared to 31 December 2020 the following changes occurred in the consolidation scope:

- on 22 April 2021, the deed of merger by incorporation of the company BioEcologia into the company Acea Ambiente was signed. As a result of the merger, the share capital will not change and the by-laws will be amended. The full effects of the merger run from the date on which the final registrations required by art. 2504 of the Italian Civil Code take place;
- on 24 March 2021, an additional 35% stake was acquired in

the company Solaria Real Estate, bringing the shareholding to 100%;

- on 25 March 2021, Crea SpA, placed in liquidation on 8 June 2011, was removed from the Companies Register;
- on 19 May 2021, Acea Sun Capital acquired 100% of the shares of the photovoltaic company JB Solar which has two photovoltaic systems located in the province of Lecce, respectively with power of 891 kWp and 521 kWp, for total installed power of 1.4 MW;
- on 28 May 2021 Acea Renewable and Acea Green were incorporated by Acea Produzione;
- on 15 July 2021 Acea Sun Capital acquired 100% of the company Solarplant, owner of a ground-mounted photovoltaic plant with installed power of 0.99 MWp, located in Collesalveti (LI) and incentivised under the terms of the Second Energy Account;
- on 28 July 2021 Acea Sun Capital acquired 100% of the company PSL to which was contributed the business unit made up of a photovoltaic plant, located in the municipality of Belpasso (CT), with power of 0.99 MWp;
- on 3 August 2021 Acea Sun Capital acquired 100% of the company M2D owner of a ground-mounted photovoltaic plant located in the municipality of Leini (TO), with power of 0.994 MWp;

- on 14 October 2021 Acea Ambiente acquired 60% of Meg, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;
- on 30 November 2021 Acea Ambiente acquired 65% of DECO, a waste management company whose activities also include the construction and operation of relevant plants. The company also holds a 21.8% investment in Picena Ambiente and owns 100% of Ecologica Sangro, a company active in the integrated management of solid urban waste in the Frentano and Sangro Aventino district area. The company itself holds a 75% stake in the Ecofrentano consortium;
- on 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

We can note that the merger by incorporation of the companies Brindisi Solar, Acquaviva, Compagnia Solare 2, Compagnia Solare 3 and SPES into the company Solaria Real Estate was carried out on 27 July 2020, while the merger by incorporation of the companies Luna Energia, Sisine Energia, Urbe Cerig, Urbe Solar and Bersolar into the company KT4 was carried out on 26 October 2020. Both mergers have accounting and fiscal effects backdated to 1 January 2020. The installed power with reference to the secondary photovoltaic system is 52 MW.

Lastly, with reference to the 2020 financial year, it should be noted that:

- the acquisition by Acea Sun Capital of the photovoltaic companies Euroline3 on 7 May 2020, Energia on 7 May 2020, IFV Energy and PF Power of Future on 4 June 2020 and lastly Belaria on 23 July 2020;
- the 100% consolidation of the company Fergas Solar, acquired by Acea Solar on 15 April 2020, operating in the field of the development and construction of photovoltaic plants;
- the full consolidation of the companies acquired on 22 April 2020 by Acea Ambiente: 60% of the companies Ferrocarr, Cavallari and Multigreen (the latter then merged into Cavallari as of 1 January 2021); the companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal;
- the consolidation of SIMAM (Servizi Industriali Manageriali Ambientali) on 7 May 2020; the company is a leader in the design, construction and management of water and waste treatment plants, in environmental works and reclamation, with integrated solutions featuring high technological content;
- the consolidation of 100% of the company Electric Drive Italia, acquired by Acea Innovation on 19 May 2020 to promote the development of electric mobility through advanced IT solutions. It should be noted that the company was merged by incorporation into the parent company Acea Innovation as of 1 January 2021;
- the line by line consolidation of 51% of Alto Sangro Distribuzione Gas, acquired on 31 August 2020, a company operating in the gas distribution sector, and its subsidiary Notaresco. We can note that, on 3 August 2021, Pescara Distribuzione Gas was merged by incorporation into Alto Sangro, which at the same time changed its name to AdistribuzioneGas. The merger has accounting and tax effects backdated to 1 January 2021;
- the consolidation of Servizio Idrico Integrato (hereafter SII) after an amendment to the governance structure and the acquisition on 16 November 2020 of an additional 15% stake, thereby arriving at a total stake of 40%;
- the establishment on 15 December 2020 of the Consorzio Acea and the Consorzio Acea Lima Norte held by Acea Perù (99%) and Acea Ato2 (1%), the first signed a three-year contract for the management of pumping stations for drinking water in Lima, the second signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima.

B) UNCONSOLIDATED EQUITY INVESTMENTS

Tirana Acque Scarl in liquidation, 40% owned by Acea, is recognised at cost. The subsidiary, entirely written off, is excluded from the consolidation scope as it is not operational and its relevance in qualitative and quantitative terms is not significant.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

CURRENCY CONVERSION

Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were converted into the functional currency at the exchange rate prevailing at the balance sheet date. All exchange differences are recorded in the Income Statement of the Consolidated Financial Statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement. The tax effect and receivables attributable to the exchange differences deriving from this type of loan are also attributed directly to equity.

Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are converted using the exchange rate in force on the date of initial recognition of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and recognized at fair value are converted using the exchange rate on the date of determination of this value. Any emerging exchange differences are reflected in the income statement.

Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

REVENUE RECOGNITION

In accordance with the provisions of IFRS15 "Revenue from contracts with customers", revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- i. identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- ii. identify the separately identifiable obligations to do something (also "performance obligations") contained in the contract;
- iii. determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- iv. allocate a price to each performance obligation;
- v. to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Revenues are valued at the fair value of the consideration received or receivable, taking into account the value of any commercial discounts, returns and rebates granted by the Group. Specifically:

- **revenues from the sale and transport of electricity and gas** are recognised at the time the service is supplied or supplied, even if they are not invoiced, and are determined by adding estimates calculated on the basis of pre-established reading calendars. These revenues are calculated on the basis of the provisions of the law, of the resolutions of the Authority for electricity and gas and the water system in force during the period, also taking into account the *pro tempore* equalisation measures in force; it should be noted that with reference to the valorisation of revenues from the transport of electricity, if the admission of investments in tariffs that establishes the right to payment for the operator is virtually certain already in the year in which they are realized, the corresponding revenues they are ascertained on an accrual basis regardless of how they will be financially recognized as a result of ARERA Resolution 654/2015;
- **the revenues of the integrated water service** are determined on the basis of the Water Tariff Method (MTI-3), valid for the determination of the tariffs for the years 2020-2023, approved with Resolution no. 580/2019/R/ldr (MTI-3) of 30 December 2019, Determination 1/2020-DSIS of 29 June 2020 and subsequent modifications by ARERA. Based on the interpretation of the legal nature of the tariff component, FoNI (New Investments Fund) is entered among the revenues for the year the relative amount due to the Water Companies where expressly recognized by the Area Authorities which establish the intended use.

The adjustment for the so-called pass-through items is also entered among the revenues of the year (i.e. electricity, wholesale water) of which the aforementioned resolution provides specific details as well as any adjustment relating to costs pertaining to the Integrated Water System incurred for the occurrence of exceptional events (i.e. water and environmental emergencies) if the preliminary investigation for their recognition gave positive results.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met.

Water connection fees are recorded among other non-current liabilities and released to the income statement over the life of the investment to which they refer, if related to an investment, and fully recognized as income if they are related to costs incurred.

Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet. Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity - TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded.

The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.

Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.

Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate

(rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item investment income.

COSTS RELATED TO BORROWING

Costs related to the assumption of loans directly attributable to the acquisition, construction or production of assets that necessarily require a significant period of time before being ready for use or sale, are included in the cost of these assets, up until where they are ready for use or sale. The proceeds from the temporary liquidity investment obtained from the aforementioned loans are deducted from capitalised interest. All other charges of this nature are recognised in the Income Statement when they are incurred.

TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.

Current taxes are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).

Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences. These assets and liabilities are not recognized if the temporary differences derive from goodwill or from initial recognition (not in business combination transactions) of other assets or liabilities in transactions that have no influence on the accounting result or on the taxable result.

Deferred tax liabilities are recognized on the taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, with the exception of cases in which the Group is able to control the cancellation of such temporary differences and it is probable that the latter will not they will cancel in the foreseeable future.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors of the Parent, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.

Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is relieved. Deferred taxes are charged directly to the Income Statement, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are recognised in equity.

TANGIBLE ASSETS

Tangible assets are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses. The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. The corresponding liability is recognized in the liability item for risks and charges. Assets composed of components of a significant amount with a different useful life.

The costs for improvements, modernisation and transformation that increase the value of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.

Land, whether free of construction or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Systems and equipment under construction for production purposes or for purposes yet unknown are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, where applicable, capitalised financial charges. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests. Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and/or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Real estate investments are eliminated from the financial statements when they are sold or when the investment property is permanently unusable and no future economic benefits are expected from its possible sale.

The sale of real estate which results in the leaseback of the assets is recorded on the basis of the substantial nature of the transaction considered as a whole. In this regard, reference is made to what has been explained regarding Leases.

Any profit or loss deriving from the elimination of an investment property is recorded in the Income Statement in the year in which the elimination takes place.

INTANGIBLE ASSETS

Intangible assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as the goodwill purchased for consideration. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The useful life of intangible assets can be qualified as definite or indefinite.

Goodwill and intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may be reduced. In contrast, depreciation of the useful life is calculated at constant rates based on the estimated useful life, which is reviewed annually and any changes, where possible, are made with prospective applications. Depreciation begins when the intangible asset is available for use.

Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

Goodwill

Goodwill deriving from business combinations (including but not limited to, the acquisition of subsidiaries, jointly controlled entities or the acquisition of business units or other extraordinary transactions) represents the excess of the cost acquisition of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity at the acquisition date compared to the Group's share of the fair value. Goodwill is recognised as an asset and reviewed annually to verify that it has not suffered any loss in value. If there is joint control, or even affiliated, the goodwill of investments recognised according to the equity method remains implicit in the value of the investment.

The losses in value are recorded immediately in the income statement and are not subsequently restored.

At the acquisition date, any emerging goodwill is allocated to each of the independent cash generating units that are expected to benefit from the synergistic effects deriving from the acquisition. Any loss in value is identified through assessments that refer to the capacity of each unit to generate cash flows to recover the part of goodwill allocated to it. In the event that the recoverable amount by the cash-generating unit is lower than the assigned load value, the relative loss in value is recorded.

In the event of the sale of a subsidiary or jointly controlled entity, the amount not yet amortized of the goodwill attributable to them is included in the determination of the gain or loss on disposal.

Concessions

This item includes the value of the concession right to the assets consisting of water and purification plants that were transferred. This value refers to state property belonging to the so-called "accidental state" of water and sewage treatment and is systematically amortised based on the residual duration of the concession. It should be noted that the residual depreciation period is in line with the average duration of the operations entrusted with a public procedure.

Also included in this entry:

- the net value of the goodwill deriving from the transfer of the sewerage service effected with effect from 1 September 2002 from Roma Capitale to Acea Ato2;
- the higher cost, for the portion attributable to this item, deriving from the acquisition of the ARIA with particular reference to SAO, the company that manages the Orvieto landfill, now merged into Acea Ambiente.

Infrastructure law

In line with the provisions of IFRIC 12 “Service Concession Arrangements”, based on the intangible asset model the Group reports the total amount of the physical infrastructure supplied for the management of the water service, since the service concession contract does not give the concessionaire the right to control the use of the public service infrastructure but rather allows access to the management of the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

In fact, the aforementioned interpretation requires the registration of a single intangible asset representing the concessionaire’s right to charge the fee to users of the public service instead of the takeover of the physical infrastructure for the management of the service.

The amount also includes the capitalisation of the margin resulting from investments.

Rights of use of intellectual property

Costs related to this item are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three/five years.

Right of use

This item contains assets relative to application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS 17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements).

The right to use the leased asset (“Right of Use”) and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value;
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases — including renewals — will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.

For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody’s. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure.

The test consists of a comparison between the carrying amount of the asset and its estimated value in use - VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the “VIU” is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.

Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses.

The determination of the “VIU” is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve.

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EMISSION ALLOWANCES, GREEN CERTIFICATES AND WHITE CERTIFICATES

Different accounting policies are applied by the Group to allowances or certificates held for own use in the “Industrial Portfolio”, and those held for trading purposes in the “Trading Portfolio”.

Surplus allowances or certificates held for own use, which are in excess of the company’s requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.

Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset’s value in use and its market value.

The burden resulting from the fulfilment of the energy efficiency obligation is estimated on the basis of the average purchase price for the contracts entered into, taking into account the certificates in the portfolio at the financial statements date; a provision for liabilities is allocated for the negative difference between the said burden and the contribution estimated pursuant to AEEGSI Resolution 13/2014/R/efr, to be paid at the time the certificates are delivered in fulfilment of the obligation.

Allowances or certificates held for trading in the “Trading Portfolio” are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends.

Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

INVENTORIES

Warehouse stock is valued as the difference between costs and net value of earnings. Costs include direct materials and, where applicable, direct labour, general production expenses and other costs sustained to bring the stock to its current conditions and location. Cost is calculated using the moving weighted average method. The net value of earnings is estimated sales price minus estimated costs for completion and estimated costs necessary to execute the sale.

Devaluations of warehouse stock, according to its nature, are made through allocation funds, written in the balance sheet reducing assets entries, i.e. item by item, offsetting variations of leftover stock in the Income Statement.

FINANCIAL INSTRUMENTS

Financial assets and liabilities refer to the moment in which the Group became party to the instrument’s contractual provisions.

Financial assets - debt instruments

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereafter, also OCI), (iii) financial assets measured at fair value through profit and loss.

Initial recognition takes place at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called “hold to collect” model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value.

Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related provision for bad debts.

The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called “hold to collect and sell” business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI).

In this case, changes in the fair value of the instrument are recognised under shareholders’ equity among other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders’ equity reserve that includes the other components of the overall profit is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the income statement.

A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes. When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement.

The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Write-downs of financial assets

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called “Expected credit loss model”.

In particular, expected losses are generally determined based on the product of: (i) the exposure owed to the counterparty net of the relative mitigating factors (so-called “Exposure at Default”); (ii) the probability that the counterparty does not comply with its payment

obligation (“Probability of Default”); (iii) the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default (“Loss Given Default”), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).

In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment – is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.

For retail customers not having internal ratings, the assessment of expected losses is based on a provision matrix, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

Financial assets related to agreements for services under concession

With reference to the application of IFRIC 12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of Third Parties. The margin recorded is accounted for according to the provisions of IFRS15 and amortised over the residual duration of the concession.

Cash and cash equivalents

This item includes cash and bank current accounts and deposits repayable on demand or very short term and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point “Financial assets”.

Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to offset, and the intention is to settle the relationship on a net basis (i.e. to sell the asset and simultaneously settle the liability).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, “Valuation at fair value”.

As part of the risk management strategy and objectives, qualification of transactions as hedges requires: (i) verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.

When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the shareholders’ equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment).

The ineffective portion of the hedge is recorded in the income statement item “Financial (costs)/income”. Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item “Financial (costs)/income”.

Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets.

Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: (i) meets the definition of a derivative; (ii) as a whole it is not valued at fair value with the effects being charged to the income statement (FVT-PL); (iii) if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued

separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

Valuation at fair value

The fair value is the consideration that can be received for the sale of an asset or that can be paid for the transfer of a liability in a regular transaction between market operators at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use in determining the price of the asset or liability. The fair value measurement also assumes that the asset or liability is exchanged in the main market or, in the absence thereof, in the most advantageous market the company has access to.

The determination of the fair value of a non-financial asset is made considering the ability of market operators to generate economic benefits by using this asset in its highest and best use or by selling it to another participant in the market able to use it, maximising its value. The determination of the highest and best use of the asset is made from the point of view of market operators even in the case where the company intends to use it differently. It is assumed that the company's current use of a non-financial asset is its highest and best use unless the market or other factors suggest that a different use by market operators is able to maximise its value.

The valuation of the fair value of a liability, both financial and non-financial or of a capital instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument. If this quoted price is not available, the valuation of the corresponding asset held by a market operator at the valuation date is considered. The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset (so-called "Credit Valuation Adjustment" - CVA) and the risk of default by the entity itself, with reference to a financial liability (so-called "Debit Valuation Adjustment" - DVA). In determining fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of reliability of the fair value, giving precedence to the use of observable market parameters that reflect the assumptions that market participants would use in the valuation of the asset/liability. The fair value hierarchy has the following levels:

- level 1: inputs represented by quoted prices (unmodified) in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than the prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability. In the absence of available market quotations, the fair value is determined using valuation techniques appropriate to the individual cases that maximise the use of relevant observable inputs, minimising the use of unobservable inputs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.

The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date, and if the effect is significant.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is recognised in the Income Statement under the item "Financial income/(charges)".

If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered mainly through sale rather than through continual use, are measured at the lower of their net carrying amount and the fair value net of costs to sell.

In particular, by disposal group is meant a set of directly related assets and liabilities held for sale in the context of a single operation. Discontinued operations consist, instead, of a significant component of the group, such as an important autonomous business unit or geographical area of activity or a subsidiary acquired exclusively with a view to resale.

This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.

Assets and liabilities directly related to non-current assets held for sale, disposal groups and discontinued operations, in line with what is provided for in the international accounting standards, are accounted for in two specific items of the balance sheet, that is, assets held for sale and liabilities closely associated with assets held for sale.

In addition, from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated and the measurement of such assets is made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2021

Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9

On 25 June 2020, the IASB published an extension of the temporary exemption on application of IFRS 9, bringing the date to 1 January 2023, offering the possibility of aligning measurement criteria for financial instruments to the new accounting standard IFRS 17 to measure and recognise insurance contracts.

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

Issued in August 2020, these supplement the previous amendments issued in 2019 (Interest Rate Benchmark Reform – Phase 1) and address issues that could impact the financial reporting after a reference benchmark has been reformed or replaced with an alternative reference rate due to the reform. The objectives of the Phase 2 amendments are to assist companies in applying the IFRSs when changes are made to the contractual cash flows or to the hedging relationships owing to the reform of the benchmark indices for determining the interest rates and in providing useful information to users of the financial statements. The amendments will require companies to provide additional information on their exposure to

the risks deriving from the Reform of Benchmarks for determining the interest rates on the related risk management activities.

Amendments to IFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Issued on 31 March 2021, it widens a practical expedient already issued in May 2020 (“Amendments to IFRS 16 Leases Covid-19 – Related Rent Concessions”) aimed at allowing the possibility for the lessee not to consider as amendments to the lease any concessions recognised as a result of Covid-19 (e.g. suspension of rent payments). The lessee may therefore exempt itself from revising numerous contracts and need not redefine the respective lease liabilities by means of a new discount rate since it can treat such changes in a manner that does not involve a lease modification. This expedient increases the period of admissibility for the application of the same by 12 months from 30 June 2021 to 30 June 2022 and will be applicable to lessees and not to lessors.

The amendments and standards mentioned did not have any significant impact for the Acea Group on the financial statements nor did they require particular disclosures.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

IFRS17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS 17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning on or after 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main

change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS9 - Comparative Information

Issued on 9 December 2021, this makes it possible to facilitate better comparability of the data in relation to information on financial instruments measured according to IFRS17. The applicability of the latter requires, on First Time Application, the activity of “restating” the comparative data in order to guarantee the uniformity of the financial disclosure. The standard IFRS9 instead allows but does not require the restatement of the comparative data, precluding however the possibility of applying the measurement criterion to financial assets derecognised in the previous period. This option guarantees, therefore, the possibility of eliminating temporary accounting misalignments in measuring financial assets and liabilities deriving from insurance contracts. It also contributes to improving the usefulness of the comparative information for users of the financial statements. The amendments are applicable from the financial years beginning 1 January 2023.

Amendment to IFRS3 Business Combinations

Issued on 14 May 2020, it updates the reference in IFRS3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

Amendment to IAS 16 Property, Plant and Equipment

Issued on 14 May 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss.

Annual Improvements 2018-2020

Issued on 14 May 2020, it includes amendments to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS 1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section B3.3.6

when assessing whether to eliminate a financial liability;

- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS 13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted;
- the Illustrative Examples accompanying IFRS16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

Amendments will be applicable from the financial years beginning 1 January 2022.

CONSOLIDATED INCOME STATEMENT

Ref. note	€ thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
1	Revenue from sales and services	3,816,013		3,205,002		611,010
2	Other revenue and proceeds	156,032		173,900		(17,868)
	Consolidated net revenue	3,972,044	101,556	3,378,902	103,822	593,142
3	Personnel costs	275,819		267,651		8,168
4	Costs of materials and overhead	2,461,198		1,986,437		474,761
	Consolidated operating costs	2,737,018	52,416	2,254,088	53,743	482,930
5	Net income/(expense) from commodity risk management			330		(330)
6	Profit/(loss) from non-financial equity investments	21,048		30,319		(9,271)
	EBITDA	1,256,075	49,140	1,155,463	50,079	100,612
7	Net write-downs (write-backs) of trade receivables	86,207		79,442		6,765
8	Depreciation, amortisation and provisions	588,768		541,042		47,726
	Operating profit/(loss)	581,101	49,140	534,980	50,079	46,120
9	Financial income	11,491	7,142	10,046	1,910	1,445
10	Financial charges	(97,388)	12	(98,064)	0	675
11	Profit/(Loss) on equity investments	7,798		14,243		(6,445)
	Profit/(loss) before tax	503,002	56,293	461,205	51,989	41,796
12	Income tax	150,662		134,648		16,014
	Net profit/(loss)	352,340	56,293	326,558	51,989	25,782
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	352,340	56,293	326,558	51,989	25,782
	Profit/(loss) due to third parties	39,030		41,609		(2,579)
	Net profit/(loss) attributable to the Group	313,309		284,948		28,361
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	Base	1.47118		1.33801		0.13317
	Diluted	1.47118		1.33801		0.13317
	Profit (loss) per share attributable to the shareholders of the Parent Company net of treasury shares					
	Base	1.47406		1.34063		0.13343
	Diluted	1.47406		1.34063		0.13343

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	31/12/2021	31/12/2020	Change
Net profit/(loss) for the period	352,340	326,558	25,782
Gains/losses from the conversion of financial statements in foreign currency	2,124	(5,983)	8,106
Provision for exchange rate difference	5,715	5,740	(25)
Tax on exchange rate difference	(1,372)	(1,378)	6
Gains/losses from exchange rate difference	4,344	4,363	(19)
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	30,157	2,637	27,521
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(8,297)	(1,059)	(7,238)
Profit/(loss) from the effective portion on hedging instruments, net of tax	21,861	1,578	20,283
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	4,666	(4,920)	9,586
Tax effect on the other actuarial profit/(loss) on staff benefits	(1,358)	1,416	(2,774)
Actuarial profit/(loss) on defined benefit pension plans, net of tax	3,309	(3,504)	6,812
Total of the comprehensive income components, net of tax	31,637	(3,546)	35,182
Total comprehensive profit/(loss)	383,976	323,012	60,964
Total comprehensive income (loss) attributable to:			
Group	342,865	282,446	60,419
Third parties	41,111	40,566	545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS € thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
14	Fixed assets	2,938,530		2,786,645		151,885
15	Real estate investments	2,314		2,372		(58)
16	Goodwill	251,477		223,713		27,765
17	Concessions and rights on infrastructure	3,048,190		2,835,766		212,424
18	Intangible fixed assets	411,607		313,232		98,375
19	Copyright	53,096		73,660		(20,565)
20	Equity investments in unconsolidated subsidiaries and associates	292,239		276,362		15,877
21	Other equity investments	2,980		3,100		(120)
22	Deferred tax assets	202,606		235,012		(32,407)
23	Financial assets	22,549	8,319	38,781	21,156	(16,233)
24	Other assets	576,065		522,360		53,706
	NON-CURRENT ASSETS	7,801,652	8,319	7,311,004	21,156	490,648
25.a	Inventories	86,406		91,973		(5,567)
25.b	Trade receivables	1,071,644	51,601	981,509	72,080	90,135
25.c	Other current assets	387,813		257,442		130,370
25.d	Current tax assets	24,183		9,618		14,565
25.e	Current financial assets	407,944	113,981	379,859	143,097	28,085
25.f	Cash and cash equivalents	680,820		642,209		38,611
25	CURRENT ASSETS	2,658,809	165,582	2,362,610	215,177	296,199
26	Non-current assets destined for sale	168,425		0		168,425
	TOTAL ASSETS	10,628,886	173,901	9,673,614	236,333	955,272

Ref. note	LIABILITIES € thousand	31/12/2021	Of which related party transactions	31/12/2020	Of which related party transactions	Change
	Shareholders' Equity					
	Share capital	1,098,899		1,098,899		0
	Legal reserve	138,649		129,761		8,888
	Other reserves	(123,433)		(224,509)		101,077
	Retained earnings/(losses)	696,547		675,731		20,816
	Profit (loss) for the year	313,309		284,948		28,361
	Total shareholders' equity for the Group	2,123,971		1,964,829		159,142
	Third parties Shareholders' Equity	392,449		358,429		34,020
27	Total shareholders' equity	2,516,420		2,323,258		193,162
28	Staff termination benefits and other defined benefit plans	120,150		122,047		(1,897)
29	Provision for liabilities and charges	193,318		156,951		36,368
30	Borrowings and financial liabilities	4,791,979		4,154,251		637,729
31	Other non-current liabilities	409,064		405,799		3,265
	NON-CURRENT LIABILITIES	5,514,512		4,839,048		675,464
32.a	Borrowings	285,222	120,137	419,822	133,714	(134,601)
32.b	Payables to suppliers	1,706,363	51,965	1,627,119	77,230	79,244
32.c	Tax payables	18,962		40,217		(21,255)
32.d	Other current liabilities	540,005		424,150		115,856
32.e	CURRENT LIABILITIES	2,550,553	172,102	2,511,308	210,944	39,245
33	Liabilities closely associated with assets held for sale	47,402		0		47,402
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,628,886	172,102	9,673,614	210,944	955,272

CONSOLIDATED CASH FLOW STATEMENT

Ref. note	€ thousand	31/12/2021	Related parties	31/12/2020	Related parties	Change
	Cash flow from operating activities					
	Profit before tax	503,002		461,205		41,796
8	Depreciation/amortisation and impairment losses	546,626		498,257		48,369
7-8	Revaluations/Impairment charges	57,360		34,879		22,481
29	Increase/(decrease) in provisions for liabilities	(3,706)		3,362		(7,067)
28	Net change in the provision for employee benefits	(7,004)		18,737		(25,740)
	Net financial interest	85,897		88,018		(2,121)
12	Income taxes paid	(180,117)		(119,424)		(60,693)
	Cash flow generated by operating activities before changes in working capital	1,002,058	0	985,034	0	17,024
25	Increase/Decrease in receivables included in current assets	(184,891)	(20,479)	21,976	27,718	(206,866)
32	Increase/Decrease in payables included in the working capital	90,810	25,265	30,699	(34,089)	60,111
25	Increase/Decrease in inventories	7,209		(28,367)		35,576
	Change in working capital	(86,872)	4,785	24,308	(6,371)	(111,179)
	Change in other assets/liabilities during the period	(158,925)		(182,600)		23,675
	Cash flow from operations of disposal groups/assets held for sale	3,259		0		3,259
	Total cash flow from operating activities	759,521	4,785	826,742	(6,371)	(67,221)
	Cash flow from investment activities					
	Purchase/sale of tangible fixed assets	(626,507)		(572,313)		(54,195)
	Purchase/sale of intangible fixed assets	(354,759)		(334,656)		(20,103)
20-21	Equity investments	(90,048)		(103,792)		13,743
	Collections/payments deriving from other financial investments	1,340	(41,953)	(68,463)	(16,142)	69,802
	Dividends received	7,423	7,423	29,848	29,848	(22,425)
	Interest income received	14,511		14,990		(479)
	Cash flow from investments of disposal groups/assets held for sale	(3,189)		0		(3,189)
	Total cash flow from investment activities	(1,051,231)	(34,531)	(1,034,385)	13,706	(16,846)

Ref. note	€ thousand	31/12/2021	Related parties	31/12/2020	Related parties	Change
	Cash flow from financing activities					
30	Repayment of mortgages and medium/long-term borrowings	(233,995)		(487,747)		253,752
30	Provision of mortgages/other medium/long-term loans	902,500		604,900		297,600
30-32	Decrease/increase in other financial debts	(146,968)	13,577	58,832	54,098	(205,800)
	Interest expense paid	(100,752)		(102,158)		1,406
	Dividends paid	(96,743)	(96,743)	(93,212)	(93,212)	(3,531)
	Cash flow from loans of disposal groups/assets held for sale	0		0		0
	Total cash flow from financing activities	324,042	(83,166)	(19,384)	(39,114)	343,426
	Cash flow for the period	32,332	(112,911)	(227,028)	(31,779)	259,360
	Net opening balance of cash and cash equivalents	642,209		835,693		(193,484)
	Cash availability from acquisition	18,652		33,544		(14,891)
	Net closing balance of cash and cash equivalents	693,193		642,209		50,984
	Cash and cash equivalents at the end of the year disposal groups/assets held for sale	12,374		0		12,374
	Cash and cash equivalents at the end of the year continuing operations	680,820		642,209		38,611

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2021	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258
Income statement profit	0	0	0	313,309	313,309	39,030	352,340
Other comprehensive income (loss)	0	0	0	29,556	29,556	2,081	31,637
Total comprehensive income (loss)	0	0	0	342,865	342,865	41,111	383,976
Allocation of result for 2020	0	8,888	273,558	(282,446)	0	0	0
Distribution of dividends	0	0	(170,038)	0	(170,038)	(13,606)	(183,645)
Change in consolidation scope	0	0	0	0	0	(9,026)	(9,026)
Other changes	0	0	(13,685)	0	(13,685)	15,541	1,856
Balance as at 31 December 2021	1,098,899	138,649	543,559	342,865	2,123,971	392,449	2,516,420

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2020	1,098,899	119,336	363,605	272,932	1,854,772	251,938	2,106,710
Income statement profit	0	0	0	284,948	284,948	41,609	326,558
Other comprehensive income (loss)	0	0	0	(2,502)	(2,502)	(1,044)	(3,546)
Total comprehensive income (loss)	0	0	0	282,446	282,446	40,566	323,012
Allocation of result for 2019	0	10,424	262,507	(272,932)	0	0	0
Distribution of dividends	0	0	(165,788)	0	(165,788)	(12,141)	(177,929)
Change in consolidation scope	0	0	0	0	0	78,093	78,093
Other changes	0	0	(6,601)	0	(6,601)	(27)	(6,628)
Balance as at 31 December 2020	1,098,899	129,761	453,724	282,446	1,964,829	358,429	2,323,258

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUE

As at 31 December 2021 these amounted to € 3,972,044 thousand (€ 3,378,902 thousand at 31 December 2020), recording an increase of € 593,142 thousand compared to the previous year:

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from sales and services	3,816,013	3,205,002	611,010	19.1%
Other revenue and proceeds	156,032	173,900	(17,868)	(10.3%)
Consolidated net revenue	3,972,044	3,378,902	593,142	17.6%

1. Revenue from sales and services – € 3,816,013 thousand

This item registered a total increase of € 611,010 thousand (+19.1%) compared to the previous financial year which closed

with € 3,205,002 thousand. The composition of the item is shown below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from electricity sales and services	2,144,449	1,703,184	441,266	25.9%
Revenue from gas sales	151,247	107,285	43,962	41.0%
Revenue from electricity incentives	23,130	20,739	2,391	11.5%
Revenue from the Integrated Water Service	1,127,987	1,061,682	66,304	6.2%
Revenue from overseas water services	75,692	62,225	13,467	21.6%
Revenue from waste disposal and landfill operations	142,383	123,785	18,599	15.0%
Revenue from customer services	119,410	100,507	18,903	18.8%
Connection fees	25,410	25,547	(137)	(0,5%)
Revenues from sustainable development	6,303	48	6,255	n.s.
Revenue from sales and services	3,816,866	3,205,002	611,010	19.1%

Revenue from electricity sales and services

These amounted to € 2,144,449 thousand and are represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity and heat generation	7,464	7,574	(110)	(39.3%)
Electricity sales	1,526,947	1,075,935	451,012	41.9%
Transport and metering of energy	602,149	610,286	(8,137)	(1.3%)
Sale of energy from waste-to-energy and Biogas	1,581	2,614	(1,033)	(39.5%)
Energy from photovoltaic plants	1,054	1,936	(881)	(45.5%)
Co-generation	5,255	4,839	416	n.s.
Revenue from electricity sales and services	2,144,449	1,703,184	441,266	25.9%

The main change regards sales of electricity (+€ 451,012 thousand) as a result, mainly, of the increase in revenue deriving from the sale of energy on the free market (+€ 320,044 thousand), of the energy management activity (+€ 88,833 thousand), of the increase

in gas revenue (+€ 44,186 thousand) and of the increase in revenue deriving from the Gradual Protection market (+€ 30,555 thousand), partially offset by a decrease in revenue deriving from sales on the protected market (-€ 14,427 thousand). The increases de-

rive mainly from higher unit prices and in part from higher quantities on the Free Market.

In fact, while sales of electricity in the Greater Protection Service recorded a reduction confirming the trend of the last few years (total sales of 1,694 GWh, down by 14.3% on an annual basis compared to the previous year), sales of electricity on the Free Market showed an increase of 29.9% compared to the previous year (total sales of 6,562 GWh).

Revenue from gas sales

These amounted to € 151,247 thousand and recorded an increase of € 43,962 thousand compared to 31 December 2020 as a result of the improvement in the Retail sector, due to an increase in customers and unit margins; the Business sector instead moved slightly in the opposite direction showing a slight reduction in the customer base compared to the previous year.

Revenue from electricity incentives

€ thousand	31/12/2021	31/12/2020	Change	% change
Acea Ato2	672,235	649,963	22,273	3.4%
Acea Ato5	77,811	75,294	2,517	3.3%
Acea Molise	5,467	5,281	187	3.5%
Gesesa	12,925	13,388	(464)	(3.5%)
GORI	208,424	201,236	7,188	3.6%
AdF	111,804	111,995	(191)	(0.2%)
Servizi Idrici Integrati	39,320	4,526	34,794	n.s.
Revenue from the Integrated Water Service	1,127,987	1,061,682	66,304	6.2%

The increase was due mainly to the change of scope in relation to the full consolidation of SII (+€ 34,794 thousand), while the remaining change is attributable mostly to Acea Ato2 (+€ 22,273 thousand) and GORI (+€ 7,188 thousand).

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with resolution no. 580/2019/R/ldr of 27 December 2019. With reference to Acea Ato2 we must specify that the recognition of revenue is in keeping with the 2020-2021 tariff arrangement approved by the Mayors' Conference of the OTA 2 in 27 November 2020 and by ARERA on 11 May 2021.

Revenue from Overseas Water Services

These revenues are equal to € 75,692 thousand and show an increase of € 13,467 thousand compared to the previous year

€ thousand	31/12/2021	31/12/2020	Change	% change
Revenue from waste disposal and transport	9,697	4,782	4,915	102.79%
Revenue from selection and processing	26,160	19,908	6,252	31.40%
Revenue from landfill management and transport	37,833	33,220	4,613	13.89%
Revenue from sludge recovery	18,084	16,161	1,924	11.90%
Revenue from conferment of biomasses	50,608	49,714	894	1.80%
Revenue from waste disposal and landfill operations	142,383	123,785	18,599	15.03%

The increase is due mainly to the change in the scope (+€ 16,327 thousand) following the consolidation of the Cavallari/Ferrocarril Group (+€ 10,762 thousand), Deco and Ecologica Sangro

These revenues amounted to € 23,130 thousand and showed an increase of € 2,391 thousand compared to the previous year. The item includes revenues from green certificates of: i) Acea Produzione (€ 17,747 thousand) accrued in relation to the energy produced by incentivised plants and shows an increase compared to the previous year of € 1,104 thousand; ii) Acea Ambiente (€ 5,067 thousand) from revenue for green certificates deriving from an incentive system for renewable sources of the WTE plant in Terni.

Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations to which reference should be made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. Said revenue amounts in total to € 1,127,987 thousand and shows an increase of € 66,304 thousand (+6.2%) compared to the previous year (€ 1,061,682 thousand). The table below provides the breakdown of the item by company:

(€ 62,225 thousand as at 31 December 2020). The change derives from the increase recorded by Consorzio Acea (+€ 6,632 thousand) and by Consorzio Acea Lima Norte (+€ 11,346 thousand) due to the start of the three-year contracts for management of the drinking water pumping stations in Lima and for the maintenance of the water and sewer network in the Lima North zone; these increases were in part offset by the reduction recorded by Acea Perù (-€ 6,036 thousand) because in the first half of 2020 the Company, following the emergency situation affecting the territory managed, had to manage extraordinary maintenance in the Lima North zone.

Revenue from waste disposal and landfill operations

This amounted to € 142,383 thousand and increased by € 18,599 thousand compared to the previous year (€ 123,785 thousand); the item can be represented as follows:

(+€ 3,372 thousand) and Meg (+€ 2,193 thousand). The remaining increase is attributable to Acea Ambiente for € 5,740 owing mainly to the price effect.

Revenue from customer services

These amounted to € 119,410 thousand (€ 100,507 thousand at 31 December 2020) and increased by € 18,903 thousand. The changes can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Public Lighting - Rome	32,368	33,666	(1,298)	(3.9%)
Work for third parties	62,074	54,517	7,557	13.9%
Intercompany services	2,657	4,807	(2,150)	(44.7%)
Photovoltaic	143	202	(59)	(29.1%)
GIP revenue	6,251	6,258	(7)	(0.1%)
Change in inventories	15,917	1,058	14,859	n.s.
Revenue from customer services	119,410	100,507	18,903	18.8%

The increase recorded in the item inventories and in the item work for third parties is due mainly to the change in the consolidation scope, with particular reference to SIMAM (€ 11,256 thousand and +€ 8,764 thousand). These increases were only in part offset by lower revenue made in relation to the public lighting service (-€ 1,298 thousand) as a result of faults and the lack of authorisations for new constructions which had a negative effect on revenue compared to the previous year.

Connection fees

These amounted to € 25,410 thousand, recording a slight decrease of € 137 thousand compared to 31 December 2020. The item

includes revenue for capital grants of Acea Ato2 and revenue for connection contributions of areti.

Revenues from sustainable development

These amounted to € 6,303 thousand and relate mainly to revenue of Acea Innovation in relation to several E-efficiency projects; in the previous year the Company was not operational.

2. Other revenues and income – € 156,032 thousand

This item decreased by € 17,868 thousand (10.3%) compared to 31 December 2020, when the figure was € 173,900 thousand. The following table supplies the breakdown of said entry:

€ thousand	31/12/2021	31/12/2020	Change	% change
Contributions from entities for Energy Efficiency Certificates	14,007	20,907	(6,900)	(33.0%)
Non-recurring gains	51,849	81,985	(30,135)	(36.8%)
Other revenues	22,957	16,932	6,025	35.6%
Refunds for damages, penalties, collateral	10,636	5,416	5,221	96.4%
Feed-in tariff	17,751	17,229	522	3.0%
Regional grants	13,310	8,865	4,445	50.1%
Income from end users	212	604	(391)	(64.8%)
Seconded personnel	558	407	150	36.9%
Real estate income	1,625	2,005	(379)	(18.9%)
IFRIC12 margin	18,609	17,422	1,187	6.8%
Gains on asset disposals	269	172	97	56.5%
Recharged cost for company officers	707	674	33	4.9%
Premiums for continuity of service	464	0	464	n.s.
Revenue for disconnections and connections	3,077	1,284	1,793	139.6%
Other revenue and proceeds	156,032	173,900	(17,868)	(10.3%)

The reduction is attributable to the following opposite effects:

- lower contingent assets recorded by Acea Ato2 for € 28,772 thousand mainly for revenue recognised in financial year 2020 for tariff components related to 2018 and 2019 recognised, on preparing the 2020-2021 tariffs, at a higher amount than what was recorded in the respective financial statements or which were introduced ex novo by Resolution 580/2019 which regulated MTI-3, regarding in particular the additional component of the cost of sewage sludge disposal and transport;
- the increase in other revenue recorded by Acea Energia (+€ 1,808 thousand) owing mainly to an increase in the increments of claims for CMOR indemnities in the Free Market;
- higher revenue of areti for bonuses related to actions to increase the resilience of the electricity distribution service (+€ 2,186 thousand), bonuses for service continuity (+€ 454 thousand), proceeds from the sale of equipment and materials (+€ 466 thousand), revenues from various claims and EEC sales (+€ 1,130 thousand);
- higher revenue for capital grants deriving from the consolidation of SII (+€ 1,966 thousand) and from the increase recorded by Acea Ato2 (+€ 1,190 thousand) mainly for the portion related to the years 2018-2020, of the contribution aimed at countering the drinking water supply crisis in the territory of the Lazio Region paid to the Company during 2021.

CONSOLIDATED OPERATING COSTS

At 31 December 2021 operating costs amounted to € 2,737,018 thousand (€ 2,254,088 thousand at 31 December 2020), record-

ing an increase of € 482,930 thousand (+21.4 % compared to the previous year). The breakdown is as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Personnel costs	275,819	267,651	8,168	3.1%
Costs of materials and overhead	2,461,198	1,986,437	474,761	23.9%
Consolidated operating costs	2,737,018	2,254,088	482,930	21.4%

3. Personnel costs – € 275,819 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Personnel costs including capitalised costs	469,102	431,688	37,414	8.7%
Costs capitalised	(193,282)	(164,037)	(29,245)	17.8%
Personnel costs	275,819	267,651	8,168	3.1%

Personnel costs increased by € 8,168 thousand while net of the change in scope (+€ 16,534 thousand mainly due to foreign companies) they decreased by € 8,366 thousand also as a consequence of higher capitalised costs (+€ 29,245 thousand). This increase stems mainly from the efficiency of company processes to meet

the greater commitment required by the management of the service and the need to renew corporate assets.

The following tables show the average and actual number of staff by operating segment compared to the same period of the previous year.

Average number of employees

	31/12/2021	31/12/2020	Change	% change
Environment Business	615	619	(3)	(0.5%)
Commercial and Trading Business	427	373	54	14.4%
Overseas Business	2,238	987	1,251	126.8%
Water Business	3,475	3,292	183	5.5%
Energy Infrastructure Business	1,275	1,269	6	0.5%
Generation Business	88	84	4	5.0%
Engineering and Services Business	441	373	68	18.1%
Corporate Business	704	700	5	0.6%
Total	9,263	7,697	1,567	20.4%

End-of-period composition

	31/12/2021	31/12/2020	Change	% change
Environment Business	746	577	169	29.3%
Commercial and Trading Business	430	425	5	1.2%
Overseas Business	2,188	734	1,454	198.1%
Water Business	3,484	3,424	60	1.8%
Energy Infrastructure Business	1,264	1,280	(16)	(1.3%)
Generation Business	89	87	2	2.3%
Engineering and Services Business	444	423	21	5.0%
Corporate Business	703	700	3	0.4%
Total	9,348	7,650	1,698	22.2%

4. Costs of materials and overheads – € 2,461,198 thousand.

This item shows an overall increase of € 474,761 thousand compared to 31 December 2020.

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity, gas and fuel	1,741,401	1,350,634	390,766	28.9%
Materials	91,690	75,316	16,374	21.7%
Services and contract work	437,215	378,803	58,412	15.4%
Concession fees	67,065	64,399	2,666	4.1%
Cost of leased assets	26,424	24,321	2,103	8.6%
Other operating costs	97,403	92,963	4,440	4.8%
Costs of materials and overhead	2,461,198	1,986,437	474,761	23.9%

Electricity, gas and fuel

€ thousand	31/12/2021	31/12/2020	Change	% change
Electricity and gas purchases and transportation	1,723,784	1,328,630	395,154	29.7%
White certificates	9,291	16,618	(7,327)	(44.1%)
Green certificates and CO ₂ rights	8,326	5,387	2,939	54.6%
Electricity, gas and fuel costs	1,741,401	1,350,634	390,766	28.9%

The increase is mainly attributable to Acea Energia and is associated with higher costs for the purchase of energy on the free market (+€ 302,291 thousand), on the Gradual Protection market (+€ 29,280 thousand) and of the purchase costs on the energy management market (+€ 91,062 thousand); this change was offset in part by a decrease in costs for purchasing electricity on the protected mar-

ket (-€ 11,585 thousand) in keeping with the trend in revenue.

Materials

The cost of materials amounted to € 91,690 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Purchase of materials	149,842	157,584	(7,742)	(4.9%)
Change in inventories	19,822	(21,156)	40,977	(193.7%)
Change in inventories	169,663	136,428	33,235	24.4%
Costs capitalised	(77,974)	(61,112)	(16,861)	27.6%
Materials	91,690	75,316	16,374	21.7%

Purchases of materials net of inventories and capitalised costs recorded an increase of € 16,374 thousand affected mostly by the change in the consolidation scope in particular regarding SIMAM

(+€ 10,521 thousand) and Consorcio Acea Lima Norte (+€ 2,487 thousand).

Services and contract work

These amounted to € 437,215 thousand and increased by a total of € 58,412 thousand (the figure was € 378,803 thousand at 31 December 2020). They can be represented as follows:

€ thousands	31/12/2021	31/12/2020	Change	% change
Technical and administrative services (including consulting and collaborations)	63,441	60,890	2,552	4.2%
Contract work	79,594	67,001	12,592	18.8%
Disposal and transport of sludge, slag, ash and waste	75,666	66,935	8,732	13.0%
Other services	67,272	53,154	14,118	26.6%
Personnel services	21,948	18,089	3,859	21.3%
Insurance costs	13,104	12,027	1,077	9.0%
Electricity, water and gas consumption	30,458	23,411	7,047	30.1%
Internal use of electricity	6,917	6,950	(33)	(0.5%)
Intragroup services and otherwise	19,788	14,607	5,181	35.5%
Telephone and data transmission costs	6,090	5,985	105	1.8%
Postal expenses	3,242	3,398	(156)	(4.6%)
Maintenance fees	14,306	17,251	(2,945)	(17.1%)
Cleaning, transport and portorage costs	7,195	6,565	630	9.6%
Advertising and sponsorship costs	15,152	11,220	3,932	35.0%
Corporate bodies	3,910	3,526	384	10.9%
Meter readings	4,270	3,751	519	13.8%
Bank charges	3,202	2,896	306	10.6%
Travel and accommodation expenses	1,356	889	467	52.5%
Seconded personnel	35	42	(7)	(17.3%)
Printing expenses	270	216	54	25.0%
Costs for services	437,215	378,803	58,412	15.4%

The increase is attributable to the change in scope which accounted for € 31,717 thousand of it. The higher costs recorded deriving from Energy Efficiency (+€ 7,298 thousand) also contributed to the increase in line with what was recognised in revenue, as did costs for sponsorships (+€ 3,932 thousand) mainly due to the start of two new important “Green” and “E-mobility” communication campaigns, and to the management of the development of new social

channels and of the customer loyalty programme.

Concession fees

Concession fees totalled € 67,065 thousand (+€ 2,666 thousand compared to 31 December 2020) and referred to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	31/12/2021	31/12/2020	Change	% change
Acea Ato2	49,957	49,805	152	0.3%
Acea Ato5	3,496	3,551	(55)	(1.6%)
GORI	2,439	2,408	31	1.3%
Gesesa	380	380	0	n.s.
AdF	4,831	4,811	19	0.4%
Servizi Idrici Integrati	2,636	331	2,305	n.s.
AdistribuzioneGas	2,787	2,714	73	2.7%
Notaresco Gas	93	30	64	n.s.
Other	447	369	79	21.3%
Concession fees	67,065	64,399	2,666	4.1%

The increase refers mainly to the change deriving from the consolidation of SII (€ 2,305 thousand). For other information regarding

the concessions, reference should be made to the information in the specific section entitled “Service concession report”.

Cost of leased assets

The item amounted to € 26,424 thousand and increased by € 2,103 thousand compared to the previous year (the figure was € 24,321 thousand at 31 December 2020); the increase is attributable mainly to the higher costs owing to the effects deriving from the agreements related to Cloud Licences, Software-as-a-Service, of the new CRM, which are no longer allocated among fixed assets but instead recognised among external costs, in accordance with

the interpretation of the IFRS Interpretations Committee.

We can note that, in line with IFRS16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 97,403 thousand at 31 December 2021, an increase of € 4,440 thousand. The table below provides details of this item by type:

€ thousand	31/12/2021	31/12/2020	Change	% change
Taxes and duties	13,350	13,270	80	0.6%
Damages and outlays for legal disputes	8,233	10,021	(1,788)	(17.8%)
Contributions paid and membership fees	5,586	5,547	40	0.7%
Losses on receivables	71	344	(272)	(79.3%)
General expenses	20,671	11,210	9,461	84.4%
Contingent liabilities	49,492	52,571	(3,079)	(5.9%)
Other operating costs	97,403	92,963	4,440	4.8%

The increase is mainly linked to general expenses (+€ 9,461 thousand), of which € 4,257 thousand attributable to Acea Ato2 and deriving from the supplementary water bonus in favour of so-called weak users that are in disadvantaged socio-economic conditions, as decided by the Mayors' Conference, € 1,513 thousand attributable to areti mainly for costs not recognised in previous years and for € 1,013 thousand for the write-down of the Demap storage shed following the fire that broke out on 12 December 2021.

At 31 December 2021 the Group has no derivatives entered into to hedge trading transactions, while at 31 December 2020 the net balance was € 330 thousand and regarded entirely Acea Energia.

6. Income/(Expenses) from equity investments of a non-financial nature -€ 21,048 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of companies previously consolidated using the proportionate method. The breakdown of this item is detailed below:

5. Net Revenue / (Costs) from commodity risk management -€ 0 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
EBITDA	123,613	126,960	(3,347)	(2.6%)
Amortisation, depreciation, impairment and provisions	(91,916)	(81,649)	(10,267)	12.6%
Financial operations	(2,472)	(3,292)	820	(24.9%)
Total profit/(loss) on equity investments	1	(4)	5	(132.3%)
Taxes	(8,177)	(11,695)	3,518	(30.1%)
Income from equity investments of a non-financial nature	21,048	30,319	(9,271)	(30.6%)

The Gross Operating Margin (or EBITDA) of these companies decreased by € 9,271 thousand owing mainly to the reduction recorded by Publiacqua and by the Acque Group deriving from higher

depreciation and amortisation also in consideration of the approach of the expiry of the concession. The companies' assessments are detailed below.

€ thousand	31/12/2021	31/12/2020	Change	% change
Publiacqua	4,734	10,589	(5,855)	(55.3%)
Gruppo Acque	9,422	12,580	(3,158)	(25.1%)
Umbra Acque	1,593	2,240	(646)	(28.9%)
Nuove Acque and Intesa Aretina	740	762	(22)	(2.8%)
Geal	206	810	(604)	(74.6%)
Ingegnerie Toscane	3,432	2,438	994	40.8%
Ecomed in liquidation	(14)	(7)	(6)	84.3%
Servizi Idrici Integrati	0	602	(602)	(100.0%)
Belaria/Mithra	664	(8)	672	n.s.
Energy	271	315	(44)	(13.9%)
Total	21,048	30,319	(9,271)	(30.6%)

7. Net write-downs (write-backs) of trade receivables – € 86,207 thousand

This item recorded an increase of € 6,765 thousand compared to 31 December 2020 attributable mainly to Acea Ato2 (+€ 3,684 thousand), Acea Ato5 (+€ 3,395 thousand) and GORI (+€ 3,015 thousand), offset in part by AdF (-€ 1,581 thousand) and Aguas de San Pedro (-€ 1,216 thousand).

8. Depreciation, amortisation and provisions – € 588,768 thousand

Compared to 31 December 2020, there was an increase of € 47,726 thousand.

The details are illustrated below:

€ thousand	31/12/2021	31/12/2020	Change	% change
Depreciation and amortisation	546,626	498,257	48,369	9.7%
Provisions	42,142	42,785	(643)	(1.5%)
Depreciation, amortisation and provisions	588,768	541,042	47,726	8.8%

Amortisation/depreciation of intangible and tangible assets and impairment

The € 48,369 thousand increase in depreciation, amortisation and impairment breaks down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Depreciation	162,090	157,778	4,312	2.7%
Amortisation	380,567	336,446	44,121	13.1%
Impairment losses	3,968	4,032	(64)	(1.6%)
Depreciation and amortisation	546,626	498,257	48,369	9.7%

The increase is accounted for by the change in scope for € 19,452 thousand, while the remaining increase derives mainly from investments in the period in all areas of business, with particular reference to Acea Ato2 (+€ 20,962 million) and the Corporate (+€ 7,202 thousand). We can note instead the reduction in depreciation and amortisation recorded by Acea Ambiente (-€ 5,518 thousand) as a result of the write-downs made in 2020.

We must specify that the item related to intangible amortisation also includes the effect deriving from the application of IFRS16, which at 31 December 2020 amounted to € 28,289 thousand (+€ 22,514 thousand); this increase was mitigated by the reduction of amortisation on Licences (-€ 10,259 thousand) mainly for software in the cloud which is no longer allocated among

fixed assets but instead recognised among external costs, in accordance with the interpretation of the IFRS Interpretations Committee.

The impairment losses refer to the write-down made by Acea Ato2 in relation to decommissioned meters (€ 1,734 thousand) and to the assessment done on the presence of indicators of lasting impairment with reference to property, plant and equipment for which the execution phase has not yet begun (€ 1,576 thousand).

Provisions

As of 31 December 2021, net sums released due to surplus, appropriation reserves total € 42,142 thousand and are divided by type:

€ thousand	31/12/2021	31/12/2020	Change	% change
Legal	4,216	2,812	1,403	49.9%
Taxes	195	554	(359)	(64.8%)
Regulatory risks	5,326	5,546	(221)	(4.0%)
Contributory risks	11	22	(10)	(47.9%)
Procurement and supplies	518	1,948	(1,430)	(73.4%)
Insurance deductibles	2,498	2,829	(332)	(11.7%)
Other risks and charges	7,299	6,199	1,100	17.7%
Total provisions for risks	20,063	19,912	151	0.8%
Early retirements and redundancies	21,735	27,997	(6,262)	(22.4%)
Post mortem	(140)	29	(169)	n.s.
Charges towards others	5,400	1,772	3,628	n.s.
Total provisions	47,058	49,710	(2,652)	(5.3%)
Release of provisions	(4,916)	(6,925)	2,009	(29.0%)
Total	42,142	42,785	(643)	(1.5%)

9. Financial income – € 11,491 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Interest on financial receivables	173	352	(179)	(50.9%)
Bank interest income	62	97	(35)	(35.8%)
Interest on trade receivables	8,811	3,836	4,975	129.7%
Interest on other receivables	945	1,075	(130)	(12.1%)
Financial income from discounting to present value	324	5,426	(5,101)	(94.0%)
Financial income from measurement of fair value hedges	790	(939)	1,729	(184.1%)
Other income	386	200	186	92.9%
Financial income	11,491	10,046	1,445	14.4%

Financial income, of € 11,491 thousand, recorded an increase of € 1,445 million compared to the previous year, owing mainly to the change in fair value of the derivatives hedging AdF's loan agreement (+€ 1,722 million); we can also note the increase owing to the effects of invoicing interest on arrears to water company users (+€ 4,975 thousand), offset by the lower financial income recorded by GORI as a result of the income from

discounting recorded in 2020 as a consequence of the effects of the Framework Amendment, concluded on 23 November 2020, which provided for the postponement of the instalment agreements signed with the Campania Region in 2013 and 2018 (-€ 4,905 thousand).

10. Financial costs – € 97,388 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Costs (Income) on Interest Rate Swaps	6,006	6,246	(240)	(3.8%)
Interest on bonds	54,401	55,577	(1,176)	(2.1%)
Interest on medium/long-term borrowings	16,474	16,841	(368)	(2.2%)
Interest on short-term debt	2,695	2,115	580	27.4%
Default interest and interest on deferred payments	1,954	1,364	590	43.2%
Interest cost net of actuarial gains and losses	456	892	(436)	(48.9%)
Factoring fees	5,248	5,438	(190)	(3.5%)
Interest on payments by instalment	12	3	9	n.s.
Discounting charges	3,766	4,000	(233)	(5.8%)
IFRS 16 financial charges	2,518	2,726	(208)	(7.6%)
Other financial charges	3,236	2,994	243	8.1%
Interest payable to end users	1,003	820	183	22.4%
Foreign exchange gains (losses)	(382)	(952)	570	(59.9%)
Financial charges	97,388	98,064	(675)	(0.7%)

Financial expenses, of € 97,388 thousand, decreased by € 675 thousand compared to the previous year; the change is mainly attributable to the Parent Company. The average overall all-in cost of the Acea Group's debt at 31 December 2021 stood at 1.42% against

1.74% in 2020.

11. Income and costs from Equity Investments – € 7,798 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Income from equity investments in associates	8,393	14,268	(5,875)	(41.2%)
(Costs) of shares in related companies	(594)	(24)	(570)	n.s.
(Costs) and revenue from shares	7,798	14,243	(6,445)	(45.2%)

Revenue from equity investments refers to consolidation according to the net equity method of some Group companies primarily Agua Azul Bogotá; the write-down made (€ 594 thousand) regards SOGEA, a company currently in liquidation.

We can also note that the Business Combination related to Consorzio Agua Azul and SII was completed; this led to the accounting, according to the acquisition method, of income amounting respectively to € 2,554 thousand and € 5,283 thousand for the

revaluation of the stake previously held in line with what is provided for in the international accounting standard IFRS3. For more details please see the paragraph on "Business Combinations".

12. Income Tax – € 150,662 thousand

Estimated tax expenses for the period were € 150,662 thousand, compared to € 134,648 thousand of the previous year. The break-

down is essentially as follows:

- Current taxes: € 152,047 thousand (€ 149,309 thousand at 31 December 2020);
- Net deferred tax liabilities/(assets): € -1,385 thousand (€ -14,662 thousand at 31 December 2020).

The increase in absolute value of taxes recorded in the period is a direct result of higher pre-tax profit. The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2021	%	2020	%
Profit before tax from continuing and discontinued operations	503,002		461,205	
Expected tax charge at 24% on profit before tax	120,720	24.0%	110,689	24.0%
Permanent differences	(9,158)	(1.8%)	(11,279)	(2.4%)
IRES for the period	111,562	22.2%	99,410	21.6%
IRAP (regional income tax)	39,100	7.8%	35,238	7.6%
Total taxes	150,662	30.0%	134,648	29.2%

The tax rate for the financial year is 30.0% (29.2% at 31 December 2020).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 31 December 2021. Diluted profit per share is calculated dividing profit for the financial year attributable to Acea by the weighted

average number of Acea shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2021 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

Earnings per share, determined in accordance with IAS 33, are shown below:

€ thousand	31/12/2021	31/12/2020	Change
Net profit attributable to the Group (€/000)	313,309	284,948	28,361
Profit for the period of the Group attributable to ordinary shares (€/000) (A)	313,309	284,948	28,361
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
- basic (A/B)	1.4741	1.3406	0.1334
- diluted (A/C)	1.4741	1.3406	0.1334

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 31 December 2021 these amounted to €10,628,886 thousand (€9,673,614 thousand at 31 December 2020) recording an increase of €955,272 thousand or 9.9% compared to the previous year; they can be broken down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Non-current assets	7,801,652	7,311,004	490,648	6.7%
Current assets	2,658,809	2,362,610	296,199	12.5%
Non-current assets destined for sale	168,425	0	168,425	n.s.
Total assets	10,628,886	9,673,614	955,272	9.9%

14. Fixed assets – €2,938,530 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 80.1% of property, plant and equipment, €2,353,133 thousand.

The remaining 18.4% refers to:

- facilities belonging to the Environment Segment companies for €297,395 thousand;
- infrastructures related to the Parent Company for €102,440 thousand;
- infrastructures related to the Energy Segment for €131,806 thousand;
- infrastructure related to the Overseas Segment for €33,583 thousand;
- facilities belonging to the Engineering and Services Area for €17,261 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total property, plant and equipment
Historical cost 31/12/2020	572,969	3,551,165	961,626	187,000	93,160	9,031	5,374,950
Assets held for sale	(309)	(127,038)	(328)	(91)	(15,858)	0	(143,624)
Investments/Acquisitions	16,257	174,516	96,583	16,916	49,348	1,139	354,759
Disinvestments	(485)	(15,350)	(9,796)	(1,835)	(2,091)	0	(29,557)
Changes in consolidation scope	5,725	141,243	2,844	6,129	1,315	0	157,255
Other changes	240	(35,387)	45,105	(12,611)	(43,099)	769	(44,985)
Historical cost 31/12/2021	594,397	3,689,148	1,096,033	195,507	82,776	10,938	5,668,800
Accumulated depreciation 31/12/2020	(164,071)	(1,926,917)	(349,893)	(141,916)	0	(5,508)	(2,588,305)
Assets held for sale	0	64,099	8	14	0	0	64,121
Depreciation/amortisation and impairment losses	(12,467)	(90,594)	(48,621)	(10,394)	0	(532)	(162,608)
Disinvestments	37	2,379	7,148	317	0	0	9,881
Change in consolidation scope	(2,173)	(49,940)	(2,541)	(4,565)	0	0	(59,219)
Other changes	947	8,439	(19,476)	15,952	0	0	5,862
Accumulated depreciation 31/12/2021	(177,726)	(1,992,535)	(413,377)	(140,591)	0	(6,040)	(2,730,269)
Net value 31/12/21	416,671	1,696,613	682,656	54,916	82,776	4,898	2,938,530

Investments increased compared to last year (€ 334,656 thousand at 31 December 2020) and amounted to € 354,759 thousand. They refer mainly to those made by:

- areti for € 235,265 thousand for the renewal and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control equipment;
- Acea Ambiente for € 26,387 thousand for investments related to work done in the Orvieto plant for the construction of a compost storage building for the revamping of the treatment line and in the San Vittore and Aprilia plants and for work done at the Borgorose waste management plant and for reclamation of the Paliano site;
- Acea Produzione for € 17,049 thousand, mainly for the installation of the third motor at the Tor di Valle thermal power station, the re-qualification work on the substations of the S. Angelo, Salisano and Orte Power Stations and as well as the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome;
- Fergas Solar and Acea Solar respectively for € 10,365 thousand and € 10,373 thousand associated mainly with the construction of photovoltaic plants on both agricultural and industrial soils;
- Acea for € 14,838 thousand for investments on the offices used for business activities and the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network.

The changes in the consolidation scope increased property, plant and equipment by € 47,320 thousand and refer mainly to the acquisitions of Deco, Ecologica Sangro and AS Recycling.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets. It should be noted that the reclassification made for IFRS5 has an impact on fixed assets in the amount of € 79,503 thousand.

15. Real estate investments – € 2,314 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease of € 58 thousand compared to last year derives from depreciation.

16. Goodwill – € 251,477 thousand

At 31 December 2021 goodwill amounted to € 251,477 thousand (€ 223,713 thousand at 31 December 2020). The change compared to the previous year refers to the recognition of goodwill arising from the consolidation of the companies acquired during 2020 (for more information, please refer to the section on Business Combinations) part of which recognised provisionally while awaiting the completion of the process of allocating the price paid. Goodwill recognised as a result of business combinations is attributed to CGUs that benefit from the synergies deriving from the acquisition. The table below shows the goodwill per CGU aggregated according to the *main activity* of the companies.

€ thousand	31/12/2020	Allocation	Exchange delta	Scope change	Write-downs	IFRS5	31/12/2021
Integrated Water Service management	2,751	316	0	0	0	0	3,067
Network management	7,939	(3,524)	0	0	0	0	4,415
Sale of electricity and gas	48,414	(675)	0	0	0	0	47,740
Intercompany services	94	0	0	0	0	0	94
Renewable energy plants	94,767	(2,133)	0	959	0	(1,974)	91,618
Waste-to-energy and composting plants	11,138	0	0	0	0	0	11,138
Liquid waste treatment and sludge disposal	4,724	46,386	0	0	0	0	51,110
Overseas	5,556	(1,150)	(94)	0	0	0	4,312
Plastic and paper recycling services	30,998	(8,611)	0	0	0	0	22,387
Engineering services	17,331	(1,733)	0	0	0	0	15,597
Goodwill	223,713	28,875	(94)	959	0	(1,974)	251,477

We can note that the values allocated in relation to Liquid Waste Treatment and Sludge Disposal (€ 46,386 thousand) were allocated provisionally. Please see the paragraph on Business Combinations for more information.

In order to verify the book value of the CGUs, as part of the impairment procedure the Group provides an estimate of an interval relating to the recoverable value of the assets in terms of value in use ("VIU"), in continuity with the previous year, i.e. using the Discounted Cash Flow (DCF) method, which identifies the ability to generate cash flows as the fundamental element for the purposes of assessing the entity of reference. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital is calculated.

The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each CGU subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors, updated when necessary, to take into account significant events occurring between the date of approval for the business plan and that of the financial statements by the Acea SpA Board of Directors, and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which are prudent with respect to the current context;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

Terminal value is calculated:

- for Acea Produzione (Energy Infrastructures - Generation Area) the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;

- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.

The WACCs are substantially in line with those used for the previous impairment test, with the exception of the regulated businesses, where following the changes made in the regulatory framework a reduction in remunerations by the regulator was found (for more information please see what is described in the Report on Operations, Water Area).

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Main activity	Recoverable value	WACC	Terminal value	Cash flow period
Integrated Water Service management	Value in use	4.8%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	Value in use	5.6%	Regulatory Asset Base (RAB)	Until 2024
Sale of electricity and gas	Value in use	5.7%	Perpetuity	Until 2024
Intercompany services	Value in use	5.1%	Estimated to be equal to the NIC of the plan's last year.	Based on company budgets and projections that represent the best available and achievable estimates of the main assumptions about the company's operations with respect to the equity investments examined and the expected results attributable to them
Renewable energy plants	Value in use	5.2%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and services	Value in use	4.8%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	6.5%/10.1%	NIC at the end of the concession	End of the concession
Plastic recycling services	Value in use	5.1%	NIC at the end of the plants' useful life	Plants' useful life

To support the analysis deriving from the test, sensitivity analysis was done to identify the impact on recoverable values of goodwill based on variations in specific assumptions, so as to identify the main break-even assumptions. Based on this analysis, hypotheses regarding changes in discount rates, growth rates or a reduction in profitability were found to be unrealistic and/or immaterial with the exception of the CGUs related to Demap, Acquedotto del Fiora, ADistribuzione Gas, Energia.

It seems worth noting that:

- during December 2021 Demap suffered a fire that involved the plastics store. In relation to this event, the plants related to this CGU were written down for an amount of approximately € 1.0

million (for more information please see the Report on Operations, Environment Area), while the result of the impairment test confirmed the recoverability of the CGU despite the cover being considerably reduced;

- on 20 February 2022 the plant was affected by a fire that involved a pile of waste from the selection of separate collection (identified by the code EER 19 12 12), gradually expanding then until it damaged some roofing structures. Promptly during the same day, the fire was extinguished (for more information please see the Report on Operations, Environment Area). This event, under the terms of IAS 10, originated after the reporting date and no write-down was necessary in the financial statements.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the Acea Ato5 SpA subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution no. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the company has succeeded in managing the financial situation highlighted in the 2020 budget, partially mitigating the financial imbalance.

In the light of what is stated above, the consolidated net assets related to the CGU Acea Ato5 were the subject of an impairment test, in methodological continuity with what was done at 31 December 2020 and 30 June 2021, that is by determining the Value in Use using the Unlevered Discounted Cash Flow ("UDCF") method which sees in the ability to produce cash flows the fundamental element for the purposes of measuring the CGU of reference. For the purpose of discounting operating cash flows, the weighted average cost of regulatory post-tax capital is calculated.

The main assumptions which determined the cash flows, terminal value and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of business considerations consistent with the energy scenario developed in the business plan;
- the natural evolution of the Group's costs over the course of the plan was developed by formulating forward looking hypotheses based on the combination.

In addition, the terminal value was calculated as the present value of the RAB and of Net Working Capital on expiry of the concession. The flows, and the terminal value determined as above were finally discounted to the regulatory WACC, which is in line with that used for the previous impairment test.

Given the various variables which affect the Acea Ato5 economic financial plan, sensitivity analysis was done based on whether or not the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether or not the economic financial rebalancing request is granted (this is based on the tariff proposal submitted by the company, but not recognised by OTAA 5). Below are the results of the sensitivity analysis, noting that the "base case" for the impairment test coincides with the upper left section of the table, which foresees 100% achievement of cost savings objectives and no benefit deriving from the actions the Company intends to undertake to obtain a tariff adjustment. This scenario was prudentially used as the base case for the impairment test considering only the elements of improvement which are under the company's control (cost savings) and not those which ultimately depend upon decisions and factors external to the company (tariff adjustment). Note that this structure does not in any way reflect an assessment of the likelihood of a tariff adjustment being recognised, which is however deemed probable in consideration of the incompatibility of the financial imbalance caused to the Operator by the new tariff structure with respect to the current legal and regulatory framework, but is only functional to the execution of the impairment test in compliance with that established under IAS 36:

Achievement of Efficiency Targets (100% = € 3.3 million at 2032)

	100%	80%	60%	40%	20%	0%	
	0%	0.91	(3.56)	(8.03)	(12.50)	(16.97)	(21.45)
	20%	6.67	2.20	(2.27)	(6.74)	(11.21)	(15.68)
Target on Tariff review	40%	12.44	7.97	3.50	(0.97)	(5.44)	(9.91)
(100% = € 51 million)	60%	18.21	13.74	9.27	4.80	0.32	(4.15)
	80%	23.97	19.50	15.03	10.56	6.09	1.62
	100%	29.74	25.27	20.80	16.33	11.86	7.39

17. Concessions and Rights on Infrastructure – € 3,048,190 thousand

This item mainly refers to the Water Services and essentially includes:

- the values of concessions received from the Municipalities (€ 93,513 thousand);
- the overall amount of all tangible infrastructures for the management of water services (€ 2,642,451 thousand), in accordance with IFRIC 12.

Concessions refer for € 87,534 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between Acea and Roma Capitale and the term of the Management Agreement signed by the Mayors in OTA 2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 5,978 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 497,559 thousand and mainly refers to:

- Acea Ato2 for € 364,198 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- Acea Ato5 for € 32,182 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 59,859 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service.

18. Intangible fixed assets – € 411,607 thousand

The item has a net book value as at 31 December 2021 of € 411,607 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Investments in progress	Total intangible fixed assets
31.12.2020	171,309	100,978	40,945	313,232
Assets held for sale	0	(30,182)	(1,170)	(31,352)
Depreciation/amortisation and impairment losses	(65,834)	(35,414)	0	(101,249)
Investments/Acquisitions	71,835	31,118	15,135	118,088
Disinvestments	(5,066)	(17)	(1,136)	(6,219)
Changes in consolidation scope	302	65,393	(9,589)	56,105
Other changes	30,921	45,959	(13,879)	63,001
Net value 31.12.21	203,466	177,835	30,305	411,607

The increase compared to the previous year, of € 98,375 thousand, derives from the change in the scope (+€ 56,105 thousand) owing mainly to the consolidation of Deco and from the definitive allocation of the values deriving from the business combinations (+€ 54,974 thousand) present in the item other changes (please see the specific paragraph for more information). The investments made in the period which were € 118,088 thousand net of depreciation/amortisation and impairment losses amounting to € 101,249 thousand also contributed to the increase. Finally, the increase was offset by the reclassification for IFRS5 of € 31,352 thousand.

Investments for the period are mainly attributable to:

- Areti for € 35,369 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 42,954 thousand in relation to the cost of acquiring new customers under the terms of IFRS15 (€ 27,618

thousand), and to IT implementation projects (€ 15,337 thousand);

- the Parent Company for € 23,436 thousand for the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management.

The change in the consolidation scope had an impact for € 56,105 thousand and refers mainly to Deco.

19. Right of use – € 53,096 thousand

This item includes rights of use on assets of others which are recognised as leased assets and are therefore amortised over the duration of the contracts in line with the international standard IFRS16. As at 31 December 2021 the net book value of these assets is € 53,096 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Land and buildings	36,415	57,362	(20,946)	(36.52%)
Cars and motor vehicles	6,154	4,215	1,939	46.00%
Machinery and equipment	8,599	9,898	(1,299)	(13.13%)
Distribution cabins	1,864	1,999	(136)	(6.79%)
Other	63	186	(122)	(65.99%)
Total	53,096	73,660	(20,565)	(27.92%)

The book value of the assets consisting of the right of use as at 31 December 2021 for each class of underlying asset and the related changes in the year are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	57,362	4,215	9,898	1,999	186	73,660
Acquisitions	3,554	0	503	0	0	4,057
New contracts	3,252	6,306	74	104	0	9,736
Remeasurement	739	734	203	(30)	2	1,648
Depreciation	(10,324)	(5,102)	(2,079)	(210)	(124)	(17,839)
Total	54,582	6,154	8,599	1,864	63	71,263
IFRS5 reclassification	(18,167)	0	0	0	0	(18,167)
Total	36,415	6,154	8,599	1,864	63	53,096

The reduction of € 20,565 thousand is mainly due to IFRS5 for an amount of € 18,167 thousand. The reclassification generated an impact on the category of land and buildings because the photovoltaic companies are for sale; therefore it regarded all the surface rights in being.

With regard to extension or termination options, it should be noted that for regulated businesses, with regard to contracts relating to concession activities, the estimated term for contract renewals is the year of the end of the concession itself. There are also no guarantees on residual value, variable payments and leases not yet

signed to which the Group has committed itself for a significant amount.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item “leases and rentals” in line with the requirements of IFRS16 and in continuity with previous years.

20. Equity investments in unconsolidated subsidiaries and associates – € 292,239 thousand

Company name	31/12/2020	Changes in consolidation scope	Gains/losses from valuation of shareholders' equity	Increase/Decrease for dividends	Currency translation differences	OCI	Other changes/reclassifications	31/12/2021
Acque	90,545	0	8,920	2,615	0	568	133	102,780
Acque Servizi	5,110	0	502	(675)	0	(65)	0	4,872
Geal	7,812	0	206	44	0	1	0	8,063
Nuove Acque	6,188	0	1,109	(162)	0	25	0	7,161
Intesa Aretina	6,533	0	(369)	(452)	0	0	(2)	5,710
Publiacqua	111,371	0	4,734	(5,466)	0	13	(196)	110,455
Umbra Acque	19,334	0	1,593	158	0	139	0	21,225
Ingegnerie Toscane	13,357	0	3,432	(3,177)	0	2	(136)	13,478
Energia	12,869	0	271	(508)	0	0	288	12,920
Belaria	0	21	664	0	0	0	(685)	0
Picena Ambiente	0	3,088	0	0	0	0	0	3,088
Others	3,106	0	(517)	0	(190)	0	89	2,488
Total equity investments	276,224	3,109	20,545	(7,623)	(190)	683	(509)	292,239

The main changes that occurred during the period refer to the valuations of the companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 20,545 thousand. These valuations are mainly reflected in the item “Income/(Expenses) from equity investments of a non-financial nature” (+€ 21,048 thousand) and the rest in

the item “Income/Expenses from equity investments” (-€ 503 thousand).

We can note that the equity investment in Belaria falls within the IFRS5 perimeter of sale and is therefore reclassified in the item “Non-current assets held for sale”.

31/12/2021

€ thousand					Revenues	Valuation of companies using the equity method	NFP
	Non-current assets	Current assets	Non-current liabilities	Current liabilities			
Acque	239,699	34,904	(128,900)	(40,174)	(76,549)	8,920	(90,064)
Intesa Aretina	12,232	279	0	(59)	0	(369)	205
Belaria	3,228	856	(3,535)	(412)	(747)	664	(3,250)
Ecomed	3	361	(20)	(420)	0	(14)	157
Energia	4,973	1,504	0	(493)	(1,635)	271	1,154
Geal	20,461	5,757	(10,773)	(6,888)	(9,562)	206	(4,904)
Ingegnerie Toscane	1,614	11,627	(611)	(5,180)	(11,980)	3,432	(1,130)
Nuove Acque	17,907	5,857	(7,799)	(2,895)	(9,591)	1,109	(3,778)
Publiacqua	234,879	53,942	(129,806)	(46,308)	(105,261)	4,734	(76,262)
Acque Servizi	777	8,262	(872)	(4,152)	(11,235)	502	(656)
Umbra Acque	68,648	11,476	(45,290)	(14,857)	(33,875)	1,593	(21,750)
Total	604,423	134,824	(327,606)	(121,838)	(260,434)	21,048	(200,278)

31/12/2020

€ thousand					Revenues	Valuation of companies using the equity method	NFP
	Non-current assets	Current assets	Non-current liabilities	Current liabilities			
Acque	220,854	35,026	(124,786)	(37,410)	(78,282)	11,751	(88,598)
Intesa Aretina	11,866	375	0	(200)	0	(102)	205
Belaria	4,134	2,857	(6,956)	(43)	0	(8)	(4,124)
Ecomed	3	373	(20)	(419)	0	(7)	163
Energia	4,905	1,428	0	(498)	(1,431)	315	720
Geal	18,320	6,858	(10,783)	(6,084)	(8,884)	810	(4,900)
Ingegnerie Toscane	1,608	10,893	(668)	(4,649)	(12,276)	2,438	916
Nuove Acque	17,932	5,141	(8,845)	(2,130)	(9,108)	864	(4,377)
Publiacqua	222,943	51,467	(112,541)	(48,585)	(104,352)	10,589	(69,947)
Acque Servizi	774	7,511	(798)	(3,288)	(12,462)	828	522
Servizi Idrici Integrati	89,572	57,322	(60,223)	(52,473)	(43,892)	602	(47,828)
Umbra Acque	63,919	15,084	(23,739)	(37,346)	(35,214)	2,240	(21,006)
Total	656,831	194,335	(349,358)	(193,125)	(305,899)	30,319	(238,254)

21. Other equity investments – € 2,980 thousand

These total € 2,980 thousand (they were € 3,100 thousand at 31 December 2020) and are composed of investments in shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets – € 202,606 thousand

At 31 December 2021, deferred tax assets, net of deferred tax liabilities, amounted to € 202,606 thousand (€ 235,012 thousand at 31 December 2020).

Deferred tax assets are mainly made up of the following kinds: (i) € 36,854 thousand for the provision for tax risks (€ 28,654 thou-

sand as at 31 December 2020); (ii) € 129,434 thousand to the amortisation/depreciation of tangible and intangible assets (€ 135,217 thousand as at 31 December 2020); (iii) € 68,367 thousand for the impairment of receivables (€ 83,339 thousand as at 31 December 2020); (iv) € 11,097 thousand to defined benefit and defined contribution plans (€ 12,362 thousand as at 31 December 2020); (v) € 10,008 thousand to fair value of commodities and other financial instruments (€ 9,923 thousand as at 31 December 2020).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in the period totalling € 10,219 thousand and allocations amounting to € 8,671 thousand contributed to this item.

The following table details the changes in this item.

€ thousand	Changes in 2021							2021 Balance
	2020 Balance	Changes in consolidation scope	Adjustments/ Reclassifica- tions	Changes in shareholders' equity	Uses	Rate adjustment	IRES/IRAP provisions	
Prepaid taxes								
Tax losses	401	0	(297)	0	0	0	0	105
Remuneration of BoD members	42	0	0	0	(31)	0	33	45
Provisions for risks and charges	28,654	0	4,561	126	(8,026)	0	11,538	36,854
Impairments of receivables and equity investments	83,339	0	114	(2,476)	(16,280)	0	3,669	68,367
Depreciation and amortisation	135,217	0	(16,000)	3,338	(11,197)	0	18,075	129,434
Defined benefit and defined contribution plans	12,362	0	(192)	(467)	(690)	0	83	11,097
Tax assets on consolidation adjustments	9	0	0	(20)	(1)	0	16	4
Fair value commodities and other financial instruments	9,923	0	0	291	(329)	0	123	10,008
Others	58,558	(27)	(646)	(2,337)	(4,861)	0	7,712	58,399
Total	328,505	(27)	(12,459)	(1,543)	(41,414)	0	41,250	314,312
Deferred taxes								
Depreciation and amortisation	61,000	0	(15,260)	4,084	(6,557)	0	5,497	48,765
Defined benefit and defined contribution plans	177	16,241	(16,229)	22,549	(150)	0	99	22,687
Fair value commodities and other financial instruments	4,133	0	1,022	6,445	(984)	0	0	10,615
Others	28,183	0	1,480	(569)	(2,528)	0	3,074	29,640
Total	93,493	16,241	(28,988)	32,509	(10,219)	0	8,671	111,707
Net	235,012	(16,268)	16,529	(34,053)	(31,194)	0	32,579	202,606

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

23. Non-current financial assets – € 22,549 thousand

These amounted to € 22,549 thousand (€ 38,781 thousand at 31 December 2020) and recorded a decrease of € 16,233 thousand attributable to Acea Sun Capital for € 9,366 thousand and related to the loan in being with Belaria (a company consolidated with the net equity method), which presented a reduction of € 3,704 thousand compared to the previous year and was reclassified for

the residual amount of € 5,662 thousand in application of IFRS5. The remaining change is mainly attributable to the Parent Company (-€ 7,011 thousand) and regards receivables due from Roma Capitale for investments in the public lighting service, such as systems improvements, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond 2021, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets – € 576,065 thousand

Other non-current assets at 31 December 2021 are composed as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from the State	27	0	27	n.s.
Advances and deposits	948	1,672	(723)	(43.3%)
Other receivables, receivables from subsidiaries	1,813	1,809	4	0.2%
Long-term receivables for tariff adjustments, non-current provisions for doubtful accounts	443,001	387,803	55,198	14.2%
Long-term receivables for Regulatory Lag	116,712	117,108	(396)	(0.3%)
Accrued income and prepayments	13,564	13,968	(405)	(2.9%)
Other non-current assets	576,065	522,360	53,706	10.3%

This item also includes long-term receivables for tariff adjustments for € 443,001 thousand (€ 387,803 thousand at 31 December 2020) of the water companies, while € 116,712 thousand (€ 117,108 thousand at 31 December 2020) represents

the long-term portion of the receivables registered in Areti for regulatory lag.

25. Current assets – € 2,658,809 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Inventories	86,406	91,973	(5,567)	(6.1%)
Trade receivables				
Receivables from customers	1,027,007	934,174	92,832	9.9%
Receivables from Parent Company	34,472	38,718	(4,246)	(11.0%)
Receivables from subsidiaries and associates	10,165	8,617	1,549	18.0%
Total trade receivables	1,071,644	981,509	90,135	9.2%
Other current receivables and assets	387,813	257,442	130,370	50.6%
Current financial assets	407,944	379,859	28,085	7.4%
Tax credits	24,183	9,618	14,565	151.4%
Cash and cash equivalents	680,820	642,209	38,611	6.0%
Current assets	2,658,809	2,362,610	296,199	12.5%

25.a - Inventories

The item inventories amounted to € 86,406 thousand (€ 91,973 thousand at 31 December 2020) and shows a decrease of € 5,567 thousand, attributable mainly to areti (-€ 16,504 thousand) in part offset by the change in the scope (+€ 7,283 thousand).

25.b - Trade receivables

These amounted to € 1,071,644 thousand, recording an increase of € 90,135 thousand compared to 31 December 2020, when the figure was € 981,509 thousand.

€ thousand	31/12/2021	31/12/2020	Change	% change
Trade receivables	1,027,007	934,174	92,832	9.9%
Receivables due from the Parent Company	34,472	38,718	(4,246)	(11.0%)
Receivables from subsidiaries and associates	10,165	8,617	1,549	18.0%
Total trade receivables	1,071,644	981,509	90,135	9.2%

Trade receivables

These amounted to € 1,027,007 thousand, recording an increase of € 92,832 thousand compared to 31 December 2020.

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from end users for bills issued	366,332	382,956	(16,624)	(4.3%)
Receivables due from end users for bills to be issued	503,261	411,623	91,638	22.3%
Total receivables due from end users	869,593	794,578	75,014	9.4%
Receivables from other customers	157,355	139,536	17,819	12.8%
Other current receivables and assets	59	60	(1)	(1.3%)
Total receivables	1,027,007	934,174	92,832	9.9%

Receivables are shown net of the Provision for doubtful receivables, which at 31 December 2021 amounted to € 595,173 thousand and decreased by € 44,824 thousand compared to the previous year,

mainly due to the effect of uses for the period and lower provisions due also to the effects of the sale of non-performing receivables, which amounted to € 98,678 thousand at 31 December 2021.

The performance of receivables, both gross and net of the provision for the impairment of receivables, is shown below.

€ million	31/12/2021			31/12/2020			Change		
	Gross receivables (A)	Provision for write-downs (B)	Net receivables	Gross receivables (C)	Provision for write-downs (D)	Net receivables	Gross receivables (A – C)	Provision for write-downs (B – D)	Net receivables
Environment	73,335	(4,762)	68,573	59,713	(3,111)	56,601	13,622	(1,650)	11,972
Commercial and Trading	479,144	(173,095)	306,048	413,104	(222,102)	191,002	66,040	49,006	115,046
Water	782,980	(301,359)	481,620	826,276	(301,195)	525,081	(43,296)	(165)	(43,461)
Overseas	26,478	(18,341)	8,137	23,666	(15,846)	7,820	2,812	(2,495)	317
Energy Infrastructure	222,751	(88,525)	134,226	204,286	(88,627)	115,660	18,465	101	18,566
Generation	25,162	(5,893)	19,269	36,180	(5,924)	30,255	(11,018)	32	(10,987)
Engineering and Services	9,537	(1,073)	8,464	7,925	(1,068)	6,857	1,613	(5)	1,607
Parent Company	2,793	(2,124)	669	3,022	(2,124)	898	(229)	0	(229)
Total	1,622,179	(595,173)	1,027,007	1,574,171	(639,997)	934,174	48,008	44,824	92,832

Environment

These totalled € 68,573 thousand, up by € 11,972 thousand compared to 31 December 2020. The change is mainly attributable to the change in the scope for a total of € 12,199 thousand, mainly due to the consolidation of Deco (+€ 7,860 thousand), Ecologica Sangro (+€ 2,141 thousand) and Meg (+€ 2,197 thousand). We can also note the increase recorded by Acea Ambiente (+€ 5,705 thousand) and the reduction of Aquaser (-€ 2,763 thousand).

Commercial and Trading

Receivables in this segment amounted to € 306,048 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2020 was € 115,046 thousand, mainly attributable to Acea Energia (+€ 101,311 thousand) and residually to the increase in receivables recognised by Umbria Energy (+€ 6,336 thousand) and Acea Innovation (+€ 5,656 thousand).

In 2021, Acea Energia's receivables were assigned without recourse for a total amount of € 456,077 thousand.

Water

These totalled € 481,620 thousand, recording a decrease of € 43,461 thousand compared to 31 December 2020. The decrease is attributable to GORI (-€ 13,910 thousand), Gesesa (-€ 8,370 thousand), Acea Ato2 (-€ 10,804 thousand) and SII (-€ 5,626 thousand). These decreases are attributable to the effects of the transactions to dispose of non-performing receivables carried out during 2021. In particular, during the period, Acea Ato2 receivables were assigned without recourse for a total of € 389,156 thousand, of which € 4,466 thousand due from the Public Administration, Acea Ato5 receivables for € 3,446 thousand (of which € 1,287 thousand due from the Public Administration), SII receivables for € 11,010 thousand, GORI receivables for € 6,906 thousand and AdF receivables for € 974 thousand.

Overseas

These amounted to a total of € 8,137 thousand and increased compared to 31 December 2020 by € 317 thousand mainly as a result of the consolidation of the new Consorcio Acea Lima Norte (+€ 1,095 thousand) partially offset by the reduction in receivables recognised by Aguas de San Pedro (-€ 824 thousand).

Energy Infrastructure

These came out at € 134,226 thousand with an increase of € 18,566 thousand compared to 31 December 2020, mainly attributable to Areti.

In 2021, *areti* receivables totalling € 596,369 thousand were transferred *pro-soluto*, € 189,297 thousand to the Public Administration.

Generation

These amounted to a total of € 19,269 thousand and decreased compared to the previous year by € 10,987 thousand. The reduction is mainly attributable to the reclassification made under the terms of the accounting standard IFRS5 (+€ 9,138 thousand). Please see the specific paragraph for further information.

Engineering and Services

These amounted to a total of € 8,464 thousand, an increase compared to 31 December 2020 of € 1,607 thousand attributable mainly to the consolidation of SIMAM (+€ 1,581 thousand) and Acea Elabori (+€ 536 thousand) only partially offset by TWS (-€ 510 thousand).

Parent Company

These totalled € 669 thousand, recording a decrease of € 229 thousand compared to 31 December 2020.

Receivables due from the Parent Company Roma Capitale

As regards **relations with Roma Capitale**, the net balance at 31 December 2021 was € 32,177 thousand payable by the Group, compared to the previous balance of € 28,586 thousand at 31 December 2020.

Trade and financial receivables recorded an overall decrease of € 42,308 thousand compared to the previous year, mainly due to accrual in the period and collections. The main changes in the year are as follows:

- Higher receivables of Acea Ato2 for € 42,880 thousand;
- Higher receivables of Public Lightning for € 37,228 thousand;
- Collection/Offset of receivables of Public Lightning for € 75,290 thousand;
- Collection/Offset of receivables of Acea Ato2 for € 44,868

thousand;

- Collection of receivables of Acea Energia for € 2,095 thousand.

Payables decreased by € 38,717 thousand compared to the previous year; the main changes during the year are as follows:

- Higher payables for recognition of share dividends accrued for 2020 by Acea amounting to € 86,889 thousand, as resolved by the Shareholders' Meeting of April 2021;
- Higher payables due to the recognition of the portion accrued in 2021 referring to the Acea Ato2 concession fee, for € 25,276 thousand;
- Higher payables due to the recognition of Acea Ato2 share dividends accrued for 2020 amounting to € 2,230 thousand, as resolved by the Shareholders' Meeting of April 2021;
- Higher payables due to the recognition of the accrued portion for the Cosap debt of € 1,619 thousand;
- Payment/Offset by Acea Ato2 of the concession fees for 2017, 2019 and 2020 for a total of € 49,945 thousand;
- Payment/Offset of Acea Ato2 share dividends referred to 2018 and 2019 for a total of € 4,307 thousand;
- Payment/Offset of Acea share dividends for 2018 and 2019 for a total of € 99,213 thousand;
- Payment/Offset of electricity surcharges accrued up to 2011 for € 2,095 thousand.

We can note also that during the year current payables for licences of € 15 million were paid by the company areti to the Municipalities of Roma Capitale.

In 2021, the following offset/payment transactions were made for a total of € 123,145 thousand. The main transactions are presented below:

- March 2021: offsetting of receivables for € 18,623 thousand relating to the Public Lighting service for January-November 2020 fees, offsetting Acea's share dividends for 2018;
- June 2021: offsetting of receivables for € 8,905 thousand relating to receivables from water use for the period November-December 2020, offsetting the share dividends for the years 2018 and 2019, and the portion of the 2020 concession fee;
- July 2021: offsetting of receivables for € 11,918 thousand relating to water use for the period January-April 2021, offsetting a portion of the 2020 concession fee;
- July 2021: offsetting of receivables for € 8,906 thousand relating to the Public Lighting service for PL fees for the periods December 2020 and January-April 2021, offsetting Acea's share dividends for 2019;
- September 2021: offsetting of receivables for € 4,122 thousand relating to the Public Lighting service for the LED Plan, offsetting Acea's share dividends for 2018;
- September 2021: receivables for € 7,214 thousand relating to the Public Lighting service for May-August 2021 PL fees were offset with Acea's share dividends for 2018;
- October 2021: offsetting of receivables for € 2,095 thousand relating to electricity users for the years 2015-2018, offsetting electricity surcharges accrued up to 2011;
- October 2021: offsetting of receivables for € 7,260 thousand relating to the Public Lighting service for modernisation and safety 2017 and 2018 and street lighting works offsetting Acea's share dividends for 2018;
- November 2021: receivables for € 29,027 thousand related to the Public Lighting service, extraordinary maintenance, as an advance referred to the years from 2016 to 2020 and modernisation and safety year 2019 were offset with Acea's share

dividends, balance of 2018 and part of 2019.

- December 2021: offsetting of receivables for € 24,045 thousand relating to water use for the period May-November 2020 and December 2018, offsetting Acea's share dividends for 2019.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale Receivables and Payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group.

In order to arrive at a complete resolution of the differences during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables. In 2020 at total of € 33.3 million of receivables referred to the aforementioned Report were settled in the Group.

In 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. After this work Roma Capitale paid Acea SpA Public Lighting receivables for € 75,290 thousand through offsets.

For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters.

In 2021 while awaiting the conclusion and finalisation of these aspects, Acea regularly continued to provide the Public Lighting service proceeding also to the invoicing and in part also to the collection from Roma Capitale.

Again in 2021, reconciliation work continued between Acea Ato2 and Roma Capitale (SIMU Department) and a joint Technical Report signed by Roma Capitale and Acea Ato2 was completed in December, largely overcoming and resolving the disputes affecting the 2019 Technical Panel. This agreement led to the derecognition of the receivables in question through the use of the provisions for impairment set aside for this purpose. The operation reduced receivables and provisions by approximately € 7.4 million.

Please note that in September 2021 the Consolidated Financial Statements of Roma Capitale at 31 December 2020 were approved. The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

	31/12/2021 (A)	31/12/2020 (B)	Change (A - B)
Receivables due from Roma Capitale			
Utility receivables	30,427	42,036	(11,609)
Provisions for impairment	(1,749)	(9,348)	7,599
Total receivables from users	28,678	32,688	(4,010)
Receivables for water works and services	2,325	2,320	5
Receivables for water works and services to be invoiced	1,971	1,818	153
Provisions for impairment	(2,191)	(1,897)	(293)
Receivables for electrical works and services	3,990	4,073	(82)
Receivables works and services - to be billed	25	43	(18)
Provisions for impairment	(326)	(326)	0
Total receivables for works	5,793	6,030	(236)
Total trade receivables	34,472	38,718	(4,246)
Financial receivables for Public Lighting services billed	117,133	129,336	(12,203)
Provisions for impairment	(30,152)	(30,152)	0
Financial receivables for Public Lighting services to be billed	48,981	65,033	(16,052)
Provisions for impairment	(28,298)	(21,960)	(6,338)
M/L term financial receivables for Public Lighting services	8,286	11,756	(3,471)
Total Public Lighting receivables	115,949	154,012	(38,062)
Total Receivables	150,421	192,729	(42,308)

	31/12/2021	31/12/2020	Change
Payables due to Roma Capitale			
Electricity surtax payable	(13,153)	(15,249)	2,096
Concession fees payable	(37,533)	(62,202)	24,670
Other payables	(13,463)	(11,013)	(2,450)
Dividend payables	(118,450)	(132,851)	14,401
Total payables	(182,598)	(221,316)	38,717
Net balance receivables payables	(32,177)	(28,586)	(3,591)

Trade receivables from associates and joint ventures

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables from associates	1,542	1,517	25	1.7%
Receivables from jointly controlled entities	8,623	7,100	1,523	21.5%
Total	10,165	8,617	1,549	18.0%

Trade receivables from associated and jointly controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables amounted to a total of € 10,165 thousand (+€ 1,549 thousand) and the increase derives from the

recognition of higher receivables claimed by Acea from its subsidiaries following the attribution of the costs incurred for the IT platform in joint ownership and the invoicing of IT licences and services incurred on behalf of the Group Companies.

25.c - Other current assets

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables from others	292,288	235,791	56,497	24.0%
Accrued income and prepaid expenses	23,847	19,606	4,242	21.6%
Active derivative instruments on commodities	71,678	2,045	69,632	n.s.
Total	387,813	257,442	130,370	50.6%

Receivables from others

These amounted to a total of € 292,288 thousand and were made up as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Receivables due from the Equalisation Fund	95,887	37,504	58,383	155.7%
Receivables from Equalisation Fund for tariff contribution from cancellation	6,667	1,261	5,406	n.s.
Other receivables from Equalisation Fund	6,451	7,757	(1,305)	(16.8%)
Regional grants receivable	2,514	227	2,287	n.s.
Receivables from Equitalia	122	232	(110)	n.s.
Security deposits	3,803	6,527	(2,724)	n.s.
Receivables from social security institutions	3,134	3,242	(108)	n.s.
Receivables from individual transfers	2,190	2,352	(162)	n.s.
Suppliers' advances	9,625	5,158	4,467	86.6%
Receivables due from Municipalities	10,813	10,784	29	0.3%
Receivables from factor from the sale	(840)	288	(1,128)	n.s.
Receivables for accrued Green Certificates	6,975	5,596	1,380	24.7%
Receivables from OTAAAs	5,058	16,029	(10,971)	n.s.
Receivables from staff	49	29	20	68.8%
Receivables due to the transferee Area Laurentina	6,446	6,446	0	n.s.
Receivables for advances to employees	616	569	47	8.2%
Other tax receivables	36,177	30,469	5,708	18.7%
Other receivables	96,602	101,323	(4,721)	n.s.
Total	292,288	235,791	56,497	24.0%

The increase of € 56,497 thousand derives mainly i) from receivables from the Equalisation Fund (Cassa Conguaglio) for energy equalisation (+€ 58,383 thousand) mainly attributable to Acea Energia (+€ 54,771 thousand) from Cassa per i Servizi Energetici e Ambientali (CSEA) the effect of which was mainly generated by the determination of the amount due for equalisation purposes for the year 2021 and the remainder for the amount due for the years 2014-2020; ii) from receivables for regional contributions (+€ 2,287 thousand) attributable mainly to Acea Ato2 and to the contribution provided by the Lazio Region to counter the drinking water supply crisis iii) from higher receivables recorded by Areti (+€ 5,406 thousand) from Cassa per i Servizi Energetici e Ambientali (CSEA) the increase in which is associated with the purchase of Energy Efficiency Certificates necessary to achieve the energy saving target; iv) higher receivables for Green Certificates accrued attributable to Acea Produzione (+€ 1,246 thousand) and Acea Ambiente (+€ 133 thousand) v) and from the reduction in receivables from the OTAA entirely attributable to SII (-€ 10,971 thousand) and attributable in part to the negative adjustments of the costs updatable in 2023 and in part to the reversal of components related to previous years.

Accrued income and prepaid expenses

These amounted to € 23,847 thousand (€ 19,606 thousand at 31 December 2020) and refer mainly to rent on public land, lease payments and insurance. The change was a positive € 4,242 thousand.

Active derivative instruments on commodities

The item, of € 71,678 thousand, is entirely referable to Acea Energia and represents the measurement of commodity hedging derivatives; these transactions, as they are considered effective, are offset in the specific Shareholders' Equity reserve and at 31 December 2021 there were no changes in fair value referable to the ineffective portion to be recognised in the income statement.

We can note that among the "Other current liabilities" the item "Current derivative instruments" is recognised for € 44,553 thousand.

For these transactions classified as cash flow hedges, changes in fair value were recognised, limited only to the effective portion, in a specific equity reserve called "cash flow hedge reserve" through the statement of comprehensive income. There are no changes in fair value relating to the ineffective portion to be recognised on the profit or loss.

The table below shows the details of the values divided by commodity:

	31/12/2021			31/12/2020			Change net effect
	Fair value of assets	Fair value of liabilities	Net effect	Fair value of assets	Fair value of liabilities	Net effect	
Derivatives on commodities							
Power portfolio	59,461	44,551	14,910	63	-	63	14,847
GAS portfolio	12,217	2	12,215	1,982	-	1,982	10,232
Total derivatives on commodities	71,678	44,553	27,125	2,045	-	2,045	25,080

25.d - Current tax assets

These amounted to € 24,183 thousand (€ 9,618 thousand at 31 December 2020) and include IRAP and IRES receivables.

25.e - Current financial assets

€ thousand	31/12/2021	31/12/2020	Change	% change
Financial receivables from the Parent Company Roma Capitale	107,664	142,256	(34,592)	(24.3%)
Financial receivables from subsidiaries and associates	2,568	2,509	59	2.4%
Financial receivables from third parties	295,412	235,094	60,318	25.7%
Securities	2,300	0	2,300	n.s.
Total	407,944	379,859	28,085	7.4%

Financial receivables from the Parent Company Roma Capitale

These totalled € 107,664 thousand, recording a decrease of € 34,592 thousand compared to 31 December 2020. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note *Receivables due from the Parent Company Roma Capitale*.

Financial receivables from associates and joint ventures

These amounted to € 2,568 thousand and were more or less unchanged compared to 31 December 2020; they refer to Consorcio Agua Azul and are related to loans granted by one of the shareholders.

€ thousand	31/12/2021	31/12/2020	Change	% change
Bank and postal deposits	666,245	637,730	28,515	4.5%
Cheques	6,421	2,096	4,325	n.s.
Cash and similar items of value on hand	8,154	2,383	5,770	n.s.
Total	680,820	642,209	38,611	6.0%

26. Assets held for sale

At 31 December 2021 "Non-current assets held for sale" amounted to € 168,425 thousand (no value at 31 December 2020) and refer to the reclassification according to IFRS5 of the assets related

Financial receivables from third parties

These amounted to € 295,412 thousand (€ 235,094 thousand at 31 December 2020) and are essentially made up of short-term deposit lines of the Parent Company (€ 274,813 thousand).

Securities

These amounted to € 2,300 thousand and refer to investments of liquidity related to Deco.

25.f - Cash and cash equivalents

The balance at 31 December 2021 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies amounted to € 680,820 thousand. The table below illustrates the detailed breakdown:

to the agreement for the sale of the majority stake in the company that will hold the Acea group's photovoltaic plants (Acea Sun Capital). For more information please see the paragraphs with the details.

LIABILITIES

At 31 December 2021 these amounted to € 10,628,886 thousand (€ 9,673,614 thousand at 31 December 2020), recording an in-

crease of € 955,272 thousand (9.9%) over the previous year, and are broken down as follows:

€ thousand	31/12/2021	31/12/20	Change	% change
Shareholders' equity	2,516,420	2,323,258	193,162	8.3%
Non-current liabilities	5,514,512	4,839,048	675,464	14.0%
Current liabilities	2,550,553	2,511,308	39,245	1.2%
Liabilities closely associated with assets held for sale	47,402	0	47,402	n.s.
Total liabilities	10,628,886	9,673,614	955,272	9.4%

27. Shareholders' equity – € 2,516,420 thousand

At 31 December 2021, shareholders' equity amounted to € 2,516,420 thousand (€ 2,323,258 thousand at 31 December 2020). The changes that occurred compared to the previous year are illustrated in detail in the specific table.

Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- **Roma Capitale: 108,611,150** ordinary shares for a total par value of € 560,434 thousand;
- **Market: 103,936,757** shares for a total par value of € 536,314 thousand;
- **Treasury shares: 416,993** for a total par value of € 2,151 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the Parent Company amounting to € 138,649 thousand.

Other reserves and retained earnings

At 31 December 2021 these amounted to € 573,114 thousand against € 453,724 thousand at 31 December 2020.

In addition to the allocation of the previous year's result, the change of € 121,893 thousand derives mainly from: i) distribution of divi-

dends of the Parent Company for € 170,038 thousand and ii) increase in cash flow hedges of financial instruments and commodities for € 20,283 thousand iii) increase of € 6,812 thousand in actuarial gains and losses reserves; iv) decrease in the exchange rate reserve for € 19 thousand.

At 31 December 2021 Acea held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Third parties Shareholders' Equity

This amounted to € 392,449 thousand, an increase of € 34,020 thousand. The change between the two periods compared, in addition to the change in the portion of profits pertaining to minority interests, is mainly due to the change in the consolidation scope (+€ 9,026 thousand), for the acquisition of 35% of the shares of Solaria (effect including the allocation of Goodwill) and of 10% of Demap and to the acquisitions of Meg and As Recycling, as well as the allocation to non-controlling interests of goodwill arising during evaluation (+€ 14,974 thousand), about which more information can be found in the relevant section of the notes.

28. Employee severance indemnity and other defined benefit plans – € 120,150 thousand

At 31 December 2021, this item amounted to € 120,150 thousand (€ 122,047 thousand as at 31 December 2020) and represents termination and other benefits payable to employees on retirement or termination of employment.

The following table shows the change in actuarial liabilities during the period.

€ thousand	31/12/2021	31/12/2020	Change	% change
Benefits due at the time of termination of employment				n.s.
- Employee severance indemnity	62,313	67,029	(4,717)	(7.0%)
- Extra months	8,989	10,150	(1,160)	(11.4%)
- Long-Term Incentive Plans (LTIP)	858	1,600	(742)	(46.4%)
Post-employment benefits				n.s.
- Tariff subsidies	21,584	26,033	(4,449)	(17.1%)
- Isopensione (early retirement)	26,406	17,235	9,171	53.2%
Total	120,150	122,047	(1,897)	(1.6%)

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according

to IAS 19.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies

listed on the same financial market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

As regards the economic and financial scenario, the following table shows the main parameters used for the evaluation.

	31/12/2021	31/12/2020
Discount rate	1.0%	0.3%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	1.8%	1.0%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was

performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /- 0.5% shift). The results of this analysis are summarised below.

Type of plan -€ million	Discount Rate	
	+0.5%	-0.5%
Employee severance indemnities (TFR)	-3.4	+4.0
Tariff subsidies	-0.9	+0.9
Extra months	-0.4	+0.4

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the ac-

tual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan -€ million	-1 year of age
Employee severance indemnities (TFR)	-0.6
Tariff subsidies	-0.6
Extra months	+0.4

29. Provisions for risks and charges – € 193,318 thousand

At 31 December 2021, the provision for risks and charges amounted to € 193,318 thousand (€ 156,951 thousand at 31 December 2020) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of that stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the year:

€ thousand	31/12/2020	Uses	Provisions	Release for excess provisions	Reclassifications/ Other changes	31/12/2021
Legal	16,173	(3,327)	4,216	(1,489)	746	16,319
Taxes	9,171	(65)	195	(2,129)	84	7,255
Regulatory risks	27,432	(1,139)	5,326	(271)	(386)	30,961
Investees	10,308	0	0	(156)	(2,662)	7,490
Contributory risks	1,107	0	11	0	(2)	1,117
Insurance deductibles	10,980	(2,246)	2,498	(87)	(281)	10,863
Other risks and charges	23,690	(5,431)	7,817	(784)	784	26,075
Total provision for risks	98,860	(12,209)	20,063	(4,916)	(1,718)	100,080
Early retirements and redundancies	31,762	(25,963)	21,735	0	(40)	27,493
Post mortem	17,591	(42)	(140)	0	35,739	53,149
Provision for expenses payable to others	8,738	(1,622)	5,400	0	80	12,596
Total provisions for expenses	58,090	(27,627)	26,995	0	35,779	93,238
Total provisions for risks and charges	156,951	(39,836)	47,058	(4,916)	34,061	193,318

The item shows a total increase of € 36,368 thousand of which a significant part due to the change in scope and in particular to

the *Post Mortem* provisions related to the consolidation of Deco for € 18,112 thousand and Ecologica Sangro for € 17,472 thousand. It should be noted that the provision of € 21,735 thousand refers to the estimate of costs relating to redundancy and mobility as well as future early retirement incentive plans; this amount represents the net balance between provisions for the period amounting to € 27,168 thousand and releases due to surplus amounting to € 5,434 thousand.

Acea considers that the settlement of ongoing disputes and oth-

er potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

For further information please refer to the section "Update on major disputes and litigation".

30. Non-current borrowings and financial liabilities – € 4,791,979 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Bonds	4,141,952	3,253,444	888,508	27.3%
Medium/long-term borrowings	610,298	841,464	(231,166)	(27.5%)
IFRS 16 financial payables	39,729	59,343	(19,613)	(33.1%)
Total	4,791,979	4,154,251	637,729	(33.2%)

The figures in the table include the fair value, at 31 December 2021, of hedging instruments entered into and certain Group companies

which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	31/12/2021	Hedged instrument	Derivative fair value	31/12/2020
Bonds	4,120,169	21,783	4,141,952	3,230,695	22,749	3,253,444
Medium/long-term borrowings	608,398	1,900	610,298	834,790	6,673	841,464
Non-current borrowings and financial liabilities	4,728,566	23,683	4,752,250	4,065,486	29,422	4,094,908

Bonds

On 21 January 2021, Acea SpA completed placement of a Green Bond for a total amount of € 900 million, with maturity 6 April 2029 divided into in two series, the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the "Bonds"), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the "2025 Bonds") and the second series totalled € 600 million, with a rate of 0.25% and maturity on 28 July 2030 (the "2030 Bonds"). The bonds are governed by English law. Starting from 28 January 2021, the bonds are listed on the regulated market of the Luxembourg Stock Exchange, where the prospectus was filed.

Bonds amounted to € 4,141,952 thousand at 31 December 2021 (€ 3,253,444 thousand at 31 December 2020) and refer to the following:

- **€ 598,588 thousand** (including the long-term portion of the contract related costs) relating to the 10-year fixed-rate bond issued by Acea in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of € 1.5 billion. The bonds, which have a minimum denomination of € 100,000 and mature on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 495,909 thousand** (including the long-term portion of the costs attached to the contract) relating to the bond issued by Acea in October 2016 for the EMTN programme for a total amount of € 500,000 with a 10-year fixed-rate duration. The bonds, which have a minimum denomination of € 100,000 and

expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 2,479 thousand;

- **€ 152,744 thousand** relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 21,796 thousand, amounted to **€ 174,541 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 12,364 thousand, of the hedged instrument calculated on 31 December 2021. The exchange rate at the end of 2021 stood at € 130.90 against € 126.18 as at 31 December 2020. Interest accrued during the period amounted to € 3,806 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay h, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 299,975 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by Acea on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN pro-

- gramme. Interest accrued during the period amounted to zero;
- **€ 692,268 thousand** (including the long-term portion of the costs associated with the conclusion) relating to the bond loan issued by Acea on 1 February 2018, with a fixed rate of 1.5% for the duration of 9.5 years under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand.
 - **€ 495,027 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 23 May 2019, with a fixed rate of 1.75% for the duration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;
 - **€ 495,960 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 29 January 2020, with a rate of 0.50% for the du-

ration of 9 years under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;

- **€ 299,639 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 September 2025 and rate of 0%;
- **€ 590,045 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly-issued Green Bond with maturity 28 July 2030 and rate of 0.25%; Interest accrued during the period amounted to € 1,389 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	597,669	0	7,336	605,004
Private Placement issued in 2014	152,726	21,796	655	175,177
Issued in 2016	494,863	0	945	495,809
Issued in 2018	990,351	0	5,955	996,305
Issued in 2019	494,170	0	5,346	499,516
Issued in 2020	495,325	0	1,849	497,175
Issued in 2021	888,266	0	645	888,911
Total	4,113,370	21,796	22,731	4,157,897

* Including amortised cost.

** Including deferrals on hedging instruments.

Medium/long-term borrowings (including short-term portions)

These amounted to € 705,968 thousand (€ 953,558 thousand at 31 December 2020) and can be broken down as follows: **(i)** payables related to principal outstanding falling due beyond 12 months totalling € 610,298 thousand (€ 841,464 thousand at 31 December 2020), **(ii)** the portions of the same borrowings falling due in the 12 months thereafter, totalling € 95,671 thousand (€ 112,094 thousand at 31 December 2020); these amounts include the fair value portion totalling € 1,900 thousand (€ 6,673 thousand at 31

December 2020) of derivative instruments intended to hedge interest rate risks.

The decrease refers to the Parent Company for € 207,438 thousand, owing mainly to early repayment of the loan taken out in 2020 for an amount of € 100,000 thousand and to early repayment of the principal of € 52,778 thousand of a part of the EIB loan entered into in 2014.

The following table shows medium/long-term borrowings by maturity and type of interest rate:

€ thousand	Total residual debt	By 31/12/2022	Due from 31/12/2022 to 31/12/2026	After 31/12/2026
Loans:				
- fixed rate	183,184	29,745	121,089	32,350
- floating rate	353,711	57,506	168,460	127,746
- floating rate cash flow hedge	169,074	8,420	75,618	85,035
Total	705,968	95,671	365,167	245,131

The fair values of hedging derivatives totalled € 1,900 thousand and are referred almost exclusively to ADF.

The Group's main medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.

In particular, the loan taken out by areti is subject to a financial covenant. On this point we can note that while awaiting the formalisation of the correct and updated interpretation of the method of calculating the financial parameter, Acea and Cassa Depositi e Prestiti agreed, in a Letter of Consent signed on 18 February 2022,

to change, limited to the Company and not to the Consolidation, the threshold value of the same going from 0.65 to 0.75, with effect starting from the financial statements at 31 December 2021 and until expiry of the loan contract.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;

- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments, etc.), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants

had not been complied with.

Information on the fair value of the above borrowings is provided in the section “Additional disclosures on financial instruments and risk management policies”.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2021. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A-B)	Risk adjusted FV (C)	Delta (A-C)
Bonds	4,157,897	4,403,983	(246,086)	4,328,276	(170,379)
- fixed rate	183,184	214,779	(31,596)	213,233	(30,049)
- floating rate	353,711	356,687	(2,976)	352,015	1,696
- floating rate cash flow hedge	169,074	192,971	(23,897)	190,046	(20,973)
Total	4,863,866	5,168,421	(304,555)	5,083,570	(219,705)

IFRS16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS16 amounting to € 39,729 thousand,

of which the short-term portion amounts to € 13,965 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS16 liabilities	13,965	24,786	14,944	53,695

We can note that the debt is discounted using a risk-free rate with a maturity equal to the residual duration for each contract, plus the credit spread assigned to Acea by Moody's. We must specify that

the reduction in the debt related to the application of IFRS16 is impacted by the reduction of € 16,548 thousand owing to the IFRS5 reclassification.

31. Other non-current liabilities -€ 409,064 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Advances received	167,342	175,209	(7,867)	(4.5%)
Water and electrical connection fees	46,397	43,218	3,180	7.4%
Capital grants	152,646	147,379	5,267	3.6%
Accrued expenses and deferred income	42,678	39,993	2,685	6.7%
Total other liabilities	409,064	405,799	3,265	0.8%

Advances from end users and customers

The item Advances includes: (i) the amount of the security deposits and consumption advances of the water companies and (ii) the amount of the deposits concerning the liabilities for advances

on electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99).

€ thousand	31/12/2021	31/12/2020	Change	% change
Advances from users	9,277	16,652	(7,375)	(44.3%)
User guarantee deposits	147,040	151,571	(4,531)	(3.0%)
Advances from other customers	11,025	6,987	4,039	57.8%
Total	167,342	175,209	(7,867)	(4.5%)

The decrease in the item guarantee deposits is referable mainly to Acea Energia (-€ 4,964 thousand) in relation to customers leaving the Protected Categories market; the increase in the item advances from customers is referable to SIMAM (+€ 4,077 thousand), while

the change in the item advances from users derives from the reclassification of the advances from the GSE directly reducing trade receivables.

Capital grants and water connection fees

Water connection contributions amounted to € 46,397 thousand (€ 43,218 thousand at 31 December 2020), while plant contributions amounted to € 152,646 thousand (€ 147,379 thousand at 31 December 2020).

These payments on behalf of plants registered in the liabilities annually are attributed by share to the profit and loss account in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

32. Current liabilities – € 2,550,553 thousand

€ thousand	31/12/2021	31/12/2020	Change	% change
Borrowings	285,222	419,822	(134,601)	(32.1%)
Payables to suppliers	1,706,363	1,627,119	79,244	4.9%
Tax payables	18,962	40,217	(21,255)	(52.9%)
Other current liabilities	540,005	424,150	115,856	27.3%
Current liabilities	2,550,553	2,511,308	39,245	1.6%

32.a - Financial payables

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to banks for short-term credit lines	4,800	95,142	(90,342)	(95.0%)
Payables to banks for loans	95,671	112,094	(16,424)	(14.7%)
Short-term bonds	15,945	16,813	(868)	(5.2%)
Payables to the controlling shareholder Municipality of Rome	120,137	133,683	(13,546)	(10.1%)
Payables to subsidiaries and associates	13	26	(13)	(50.8%)
Payables to third parties	34,691	47,765	(13,073)	(27.4%)
IFRS16 financial payables within one year	13,965	14,300	(335)	(2.3%)
Total	285,222	419,822	(134,601)	(32.1%)

Payables to banks for short-term credit lines

These amounted to € 4,800 thousand (€ 95,142 thousand at 31 December 2020), showing a decrease of € 90,342 thousand, mainly attributable to the Parent Company in relation to repayment of the three disbursements during 2020 for a total of € 90 million.

portion of amortised cost related to the bond loans for a total effect of € 1,513 thousand only partially offset by the accrued expenses related to the bond newly issued during 2021 the negative effect of which was € 641 thousand.

Payables to banks for loans

These amounted to € 95,671 thousand (€ 112,094 thousand at 31 December 2020), and refer to the current portion of bank loans falling due within twelve months. The change is attributable mainly to the Parent Company (-€ 14,138 thousand) and is related to early repayment of the principal of a part of the EIB loan taken out in 2014 and full repayment of the loan entered into on 31 March 2008 for an initial amount of € 100,000 thousand.

Payables to the Parent Company Roma Capitale

These amounted to € 120,137 thousand (€ 133,683 thousand at 31 December 2020) and recorded a decrease resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment of dividends during the period.

Payables to subsidiaries and associates

These amounted to € 13 thousand, down compared to 31 December 2020.

Short-term bonds

These amounted to € 15,945 thousand (€ 16,813 thousand at 31 December 2020). The decrease in short-term bonds was € 868 thousand and can be attributed mainly to the measurement of the

Payables to third parties

These amounted to € 34,691 thousand (€ 47,765 thousand at 31 December 2020) and the reduction is mainly attributable to lower payables to factors of areti. The item can be represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Dividends payable to shareholders	330	922	(592)	(64.2%)
Financial payables due to factors	27,586	39,675	(12,089)	(30.5%)
Other financial payables	6,775	7,168	(393)	(5.5%)
Total	34,691	47,765	(13,073)	(27.4%)

IFRS16 financial payables within one year

These payables, totalling € 13,965 thousand, represent the short-term portion of the financial debt as at 31 December 2021 recorded

following application of the IFRS16 international standard. For additional information refer to note 29.

32.b - Trade payables

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to suppliers	1,637,739	1,535,067	102,671	6.7%
Payables to the Parent Company	62,462	87,634	(25,172)	(28.7%)
Payables to subsidiaries and associates	6,163	4,417	1,746	39.5%
Payables to suppliers	1,706,363	1,627,119	79,244	4.9%

Payables to third-party suppliers

Payables to suppliers amounted to € 1,637,739 thousand. The increase, of € 102,671 thousand, is attributable to the opposing effect of the increase in payables recorded in Acea Energia (+€ 205,449 thousand) referable mainly to the increase in energy and gas prices and an increase in volumes purchased and GORI (+€ 27,651 thousand) on the one hand and the decrease in the payables of areti (-€ 137,501 thousand) and Acea Ato2 (-€ 21,073 thousand) on the other. The change in the consolidation scope had an impact for € 10,588 thousand and refers mainly to Deco (+€ 6,386 thousand) and MEG (+€ 3,043 thousand). We can note that the change in *areti* is due mainly to resolution 231/2021/R/eel with which ARERA transferred collection of the ASOS tariff component (including A3), paid by the distributors, from the GSE to the CSEA. The latter, in accordance with what was already provided for by the Authority with Resolution 231, with Circular no. 23/2021/elt established that all distributors must make payment of the ASOS component starting from what is invoiced in May 2021. The resolution entailed a reallocation of the payable, which was previously recognised in payables to suppliers, to other current liabilities.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance

with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These amounted to € 62,462 thousand and are commented on with the trade receivables in paragraph 25b of these notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associated companies amounted to € 6,163 thousand and include payables to companies consolidated using the equity method. Compared to 31 December 2020 the item shows an increase attributable to Acea Energia (+€ 2,262 thousand) and Cesap Vendita Gas (+€ 1,147 thousand) offset in part by the reduction recorded in Acquedotto del Fiora (-€ 1,681 thousand).

32.c - Tax payables

These amount to € 18,962 thousand (€ 40,217 thousand at 31 December 2020) and include the IRAP and IRES tax burden for the period. The decrease of € 21,255 thousand is mainly attributable to the Parent Company (-€ 13,969 thousand), to GORI (-€ 3,409 thousand) and to Acquedotto del Fiora (-€ 2,564 thousand).

32.d - Other current liabilities

These are equal to € 540,005 thousand and are represented as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to social security institutions	28,519	25,211	3,308	13.1%
Accrued expenses and deferred income	58,421	56,120	2,301	4.1%
Other current liabilities	453,065	342,818	110,247	32.2%
Total	540,005	424,150	115,856	27.3%

Payables to social security institutions

These amounted to € 28,519 thousand and show an increase of € 3,308 thousand compared to 31 December 2020, mainly attributable to Acea Elavori (+€ 1,519 thousand) and Acea Ato2 (+€ 396 thousand) and to which the change in scope generated by the acquisitions of Deco, Meg, Ecologica Sangro and AS Recycling contributes minimally, for € 235 thousand.

Accrued expenses and deferred income

This item amounted to € 58,421 thousand (€ 56,120 thousand at 31 December 2020). The increase is mainly attributable to Acea Energia (+€ 1,115 thousand), to the Parent Company for € 818 thousand and to the change in the scope attributable to Deco (+€ 1,673 thousand) and Meg (+€ 801 thousand) only partially offset by SII (-€ 1,228 thousand) and Umbria Energy (-€ 748 thousand).

Other current liabilities

These amounted to € 453,065 thousand, an increase of € 110,247 thousand compared to 31 December 2020; the item can be broken down as follows:

€ thousand	31/12/2021	31/12/2020	Change	% change
Payables to Equalisation Fund	55,721	53,183	2,538	4.8%
Payables to Municipalities for concession fees	63,223	61,407	1,817	3.0%
Payables for collections subject to verification	21,464	20,024	1,441	7.2%
Payables due to personnel	52,662	48,885	3,777	7.7%
Other payables to Municipalities	28,004	34,910	(6,906)	(19.8%)
Payables to Equitalia	2,098	2,096	2	0.1%
Welfare contribution payables	961	1,877	(916)	(48.8%)
Payables for environmental premium art. 10 of AT14 agreement of 13/08/2007	496	634	(139)	(21.8%)
Other tax payables	84,184	61,805	22,379	36.2%
Other payables	99,699	57,998	41,701	71.9%
Passive derivative instruments on commodities	44,553	0	44,553	n.s.
Other current liabilities	453,065	342,818	110,247	32.2%

The increase of € 110,247 thousand, was determined mainly by the recognition of the payable for the purchase of the remaining 35% of the equity investment in Deco for € 33,590 million and for € 9,000 by the recognition of the payable for the option deriving from the purchase of the equity investment in SIMAM and by the liabilities deriving from the measurement of the hedging derivatives on commodities of Acea Energia. Please see the item "Receivables from others" for more information.

The change in the scope was a factor in the increase owing to the consolidation of Deco (+€ 1,511 thousand) and Ecologica Sangro (+€ 608 thousand). The following also contributed to the increase:

i) payables to the equalisation fund mainly attributable to Areti (+€ 6,805 thousand) and offset in part by the downward change of Acea Energia (-€ 3,361 thousand) mainly as a consequence of the determination of the amount due for the year 2021 and in a residual part for the determination of the amounts due for equalisation purposes for the years 2014-2021; ii) payables to Municipalities for concession fees the contribution of which relates to Acea Ato2 for € 1,688 thousand; iii) payables to employees, the increase in which is attributable mainly to Areti (+€ 831 thousand), GORI (+€ 831

thousand) and Acea Ato2 (+€ 411 thousand); iv) higher payables for VAT and for surcharges of Acea Energia (+€ 16,732 thousand). Finally, we can note the IFRS5 reclassification which resulted in a reduction of € 18,595 thousand.

The item "Passive derivative instruments on commodities" increased by € 44,553 thousand, due to both the change in fair value at the end of the year and the change in quantities hedged. We can note that among the "Other current assets" the item "Active derivative instruments" is recognised for € 71,678 thousand. For details on the portfolios, please see the section "Other current assets".

33. Liabilities closely associated with assets held for sale

At 31 December 2021 "Liabilities closely associated with assets held for sale" amounted to € 47,402 thousand (no value at 31 December 2020) and refer to the reclassification according to IFRS5 of the assets related to the agreement for the sale of the majority stake in the company that will hold the Acea group's photovoltaic plants (Acea Sun Capital). For more information please see the paragraphs with the details.

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2021 these totalled € 450,575 thousand (€ 478,806 thousand at 31 December 2020), recording a reduction of € 28,231 thousand.

The balance is made up of:

- € 81,598 thousand for guarantees in the interest of Acea Energia mainly for Terna, Eni Trading & Shipping, ERG Power Generation, Engie (EX EDF) and ASM Terni relating to the contract for the electricity transport and dispatching service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 53,666 thousand in the form of a guarantee issued by Acea to Cassa Depositi e Prestiti (the Deposit and Loans Account) in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 27,383 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants (€ 3,921 thousand), waste collection plants with electricity production (€ 6,607 thousand) and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 16,715 thousand);
- the guarantee of € 40,000 thousand in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee of € 25,000 thousand for Enel Trade in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 16,286 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the “Progetto Tecnologico” contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,040 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 5,028 thousand for the guarantee issued in favour of Italgas SpA in the interest of Acea Energia, increased in January 2020;
- € 1,295 thousand relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of the GSE for the correct fulfilment of the obligation of Acea Ambiente to make the reimbursement to the GSE;
- € 6,887 thousand relative to Acea Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UniCredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 17,412 thousand for the issue of three guarantees to Belenergia and Casamassima on behalf of Acea Sun Capital for the purchase of the Special Purpose Vehicle;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary GORI SpA;
- € 42,339 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 7,940 thousand for two bank sureties issued in favour of SEDAPAL to manage pumping stations in the city of Lima and for maintenance of the water and sewerage network in the northern zone;
- € 10,141 thousand for back-to-back guarantees issued to bank institutions after the acquisition of Trinovolt, Marche Solar, Euroline 3, M2D and PSL.

BUSINESS COMBINATIONS

Below are the Business Combinations, for which recognition using the acquisition method is to be considered definitive.

Acquisition of control over Consorcio Agua Azul

Through Acea International, the Group holds a stake in Consorcio Agua Azul, with a 25.5% stake as at 31 December 2019. On 13 January 2020, the Group acquired an additional shareholding of 18.5%, thus increasing its shareholding to 44%. In addition, a

shareholders' agreement was signed with the shareholder Inversiones (which holds 27% of the shares), which resulted in a change of control according to IFRS10, and therefore the Company was consolidated on a line-by-line basis as from 13 January 2020.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Azul		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	322	0	322
Intangible fixed assets	14,965	16,156	31,121
Equity investments	0	0	0
Warehouse inventories	240	0	240
Deferred taxes	2,177	(4,766)	(2,589)
Trade receivables	1,055	0	1,055
Other receivables	76	0	76
Financial receivables	3,514	0	3,514
Cash and cash equivalents	7,011	0	7,011
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	(307)	0	(307)
Current tax assets/liabilities	(172)	0	(172)
Trade payables	(159)	0	(159)
Other payables	(358)	0	(358)
Other financial liabilities	(790)	0	(790)
Payables to banks	(2,723)	0	(2,723)
Allocated goodwill	0	0	0
Net balance	24,849	11,391	36,240
- of which attributable to third parties	0	0	(20,294)
Goodwill	0	0	4,406
Net value acquired	24,849	11,391	20,352
Net cash outflow for the acquisition			(20,352)
Cash and cash equivalents acquired			7,011
Repayment of financial payables			
Payables to banks			(2,723)
Net cash flow			(16,064)

Acquisition of Cavallari and Ferrocart Group

On 22 April 2020, through Acea Ambiente the Group acquired 60% of the companies Ferrocart and Cavallari, which in turn owns 100% of Multigreen (a company later merged into Cavallari in 2021 with effectiveness from 1 January 2021). The companies own a total of four plants with a total authorised capacity of over 145 thousand tonnes per year, operate in the provinces of Terni and Ancona, carrying out sorting and recovery of paper, iron, timber, plastics

and metals and are also active in the management of the separate collection of production waste and packaging as well as waste disposal. Note that the put options to acquire an additional 20% stake in Ferrocart and Cavallari were respectively measured at € 2,300 thousand and € 2,800 thousand.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Cavallari/Multigreen			Ferrocart		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	5,126	2,326	7,452	1,570	238	1,808
Intangible fixed assets	1,393	11,978	13,371	1,537	9,168	10,705
Equity investments	6	0	6	0	0	0
Warehouse inventories	66	0	66	95	0	95
Deferred taxes	51	(4,120)	(4,069)	22	(2,711)	(2,688)
Trade receivables	4,335	0	4,335	2,867	0	2,867
Other receivables	404	0	404	190	0	190
Financial receivables	157	0	157	2,600	0	2,600
Cash and cash equivalents	2,716	0	2,716	3,867	0	3,867
Employee severance indemnity and other defined benefit plans	(889)	0	(889)	(281)	0	(281)
Provisions for risks and charges	0	0	0	(820)	0	(820)
Current tax assets/liabilities	225	0	225	(144)	0	(144)
Trade payables	(2,144)	0	(2,144)	(899)	0	(899)
Other payables	(1,209)	0	(1,209)	(331)	0	(331)
Other financial liabilities	(1,089)		(1,089)	(1,147)	0	(1,147)
Payables to banks	(4,885)	0	(4,885)	(3,120)	0	(3,120)
Allocated goodwill	0	0	0	0	0	0
Net balance	4,262	10,184	14,447	6,008	6,695	12,703
- of which attributable to third parties			(5,779)			(5,081)
Goodwill			2,072			2,096
Net value acquired			10,740			9,718
Net cash outflow for the acquisition			(10,740)			(9,718)
Cash and cash equivalents acquired			2,716			3,867
Repayment of financial payables			0			0
Payables to banks			(4,885)			(3,120)
Net cash flow			(12,909)			(8,972)

Acquisition of photovoltaic companies

Starting from 2020, through Acea Sun Capital and Acea Solar, the Group has acquired a number of companies that hold photovoltaic plants. In detail during 2020 Fergas, Euroline3, IFV Energy and PF

Power for Future were acquired, while during 2021 JB Solar, PSL, M2D and Solarplant were acquired.

The operations were recognised in accordance with the Purchase Price Allocation required by the international accounting standard IFRS3.

Net assets acquired € thousand	Fergas			Euroline3		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	754	0	754	140	0	140
Intangible fixed assets	201	1,313	1,514	1,450	127	1,577
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(366)	(366)	0	(35)	(35)
Trade receivables	0	0	0	4	0	4
Other receivables	65	0	65	629	0	629
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	0	0	0	255	0	255
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(30)	0	(30)	8	0	8
Trade payables	0	0	0	0	0	0
Other payables	0	0	0	(423)	0	(423)
Other financial liabilities	(1,113)	0	(1,113)	(2,007)	0	(2,007)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
Net balance	(123)	947	823	55	91	147
- of which attributable to third parties			0			0
Goodwill			24			(54)
Net value acquired			848			92
Net cash outflow for the acquisition			(848)			(92)
Cash and cash equivalents acquired			0			255
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(847)			163

Net assets acquired € thousand	IFVE			PFPF		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	0	0	0	0	0	0
Intangible fixed assets	2,562	882	3,444	5,217	759	5,976
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(254)	(254)	0	(219)	(219)
Trade receivables	88	0	88	124	0	124
Other receivables	1,251	0	1,251	2,019	0	2,019
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	295	0	295	264	0	264
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	(5)	0	(5)	(2)	0	(2)
Trade payables	(94)	0	(94)	(67)	0	(67)
Other payables	(406)	0	(406)	(5,014)	0	(5,014)
Other financial liabilities	(2,906)	0	(2,906)	(2,417)	0	(2,417)
Payables to banks	0	0	0	0	0	0
Allocated goodwill	0	0	0	0	0	0
Net balance	786	628	1,414	125	540	665
- of which attributable to third parties			0			0
Goodwill			3			(13)
Net value acquired			1,417			652
Net cash outflow for the acquisition			(1,417)			(652)
Cash and cash equivalents acquired			295			264
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(1,121)			(388)

Net assets acquired € thousand	JB Solar			PSL		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	2,447	0	2,447	2,391	0	2,391
Intangible fixed assets	715	524	1,239	307	40	346
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	0	(151)	(151)	0	(11)	(11)
Trade receivables	0	0	0	12	0	12
Other receivables	1	0	1	1	0	1
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	22	0	22	20	0	20
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	0	0	0	0	0	0
Trade payables	0	0	0	0	0	0
Other payables	(318)	0	(318)	0	0	0
Other financial liabilities	(281)	0	(281)	(238)	0	(238)
Payables to banks	0	0	0	(478)	0	(478)
Statutory goodwill	959	(548)	411	0	0	0
Net balance	3,544	(175)	3,369	2,014	28	2,042
- of which attributable to third parties			0			0
Goodwill			0			111
Net value acquired			3,369			2,153
Net cash outflow for the acquisition			(3,369)			(2,153)
Cash and cash equivalents acquired			22			20
Repayment of financial payables			0			0
Payables to banks			0			(478)
Net cash flow			(3,347)			(2,611)

Net assets acquired € thousand	M2D			Solarplant		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	2	0	2	1,054	0	1,054
Intangible fixed assets	1,434	180	1,614	0	1,858	1,858
Equity investments	0	0	0	0	0	0
Warehouse inventories	0	0	0	0	0	0
Deferred taxes	(5)	(52)	(56)	0	(535)	(535)
Trade receivables	225	0	225	0	0	0
Other receivables	548	0	548	59	0	59
Financial receivables	0	0	0	0	0	0
Cash and cash equivalents	47	0	47	531	0	531
Employee severance indemnity and other defined benefit plans	0	0	0	0	0	0
Provisions for risks and charges	0	0	0	0	0	0
Current tax assets/liabilities	0	0	0	(3)	0	(3)
Trade payables	(109)	0	(109)	(8)	0	(8)
Other payables	0	0	0	0	0	0
Other financial liabilities	(1,634)	0	(1,634)	(119)	0	(119)
Payables to banks	0	0	0	0	0	0
Statutory goodwill	0	0	0	0	0	0
Net balance	507	128	635	1,513	1,323	2,836
- of which attributable to third parties			0			0
Goodwill			(85)			45
Net value acquired			550			2,881
Net cash outflow for the acquisition			(550)			(2,881)
Cash and cash equivalents acquired			47			531
Repayment of financial payables			0			0
Payables to banks			0			0
Net cash flow			(503)			(2,350)

Acquisition of SIMAM

On 7 May 2020 the Group acquired 70% of SIMAM, a leader in the design, construction and management of water and waste treatment plants and in environmental interventions and remediation, with integrated solutions of high technological content.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	SIMAM		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	8,351	0	8,351
Intangible fixed assets	233	3,500	3,733
Equity investments	42	0	42
Warehouse inventories	5,861	0	5,861
Deferred taxes	272	(1,024)	(751)
Trade receivables	3,985	0	3,985
Other receivables	1,737	0	1,737
Financial receivables	0	0	0
Cash and cash equivalents	4,426	0	4,426
Employee severance indemnity and other defined benefit plans	(1,530)	0	(1,530)
Provisions for risks and charges	(579)	0	(579)
Current tax assets/liabilities	0	0	0
Trade payables	(2,922)	0	(2,922)
Other payables	(6,660)	0	(6,660)
Other financial liabilities	(6,746)	0	(6,746)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	6,469	2,476	8,946
- of which attributable to third parties			(2,684)
Goodwill			15,597
Net value acquired			21,859
Net cash outflow for the acquisition			(21,859)
Cash and cash equivalents acquired			4,426
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(17,434)

Acquisition of Electric Drive Italia

On 19 May 2020, through Acea Innovation the Group acquired 100% of the company Electric Drive Italia, a company that promotes the development of electric mobility through advanced IT solutions.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	EDI		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	40	0	40
Intangible fixed assets	63	946	1,009
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	2	(272)	(270)
Trade receivables	111	0	111
Other receivables	24	0	24
Financial receivables	0	0	0
Cash and cash equivalents	186	0	186
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	(13)	0	(13)
Trade payables	(18)	0	(18)
Other payables	(73)	0	(73)
Other financial liabilities	(215)	0	(215)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	108	674	782
- of which attributable to third parties			0
Goodwill			759
Net value acquired			1,541
Net cash outflow for the acquisition			(1,541)
Cash and cash equivalents acquired			186
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(1,355)

Acquisition of Energia SpA

On 13 May 2020, through Acea Sun Capital, the Group acquired a 49.9% non-controlling stake in the company Energia SpA. This company operates in the design, construction, management and maintenance of plants for the production of electricity, including from renewable sources. Additionally, as of the acquisition date, the company owns two subsidised photovoltaic plants (IV Energy

Grant), with net power of around 7.6 MW, installed in Nepi and Spoleto.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Energia SpA		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	10,282	0	10,282
Intangible fixed assets	0	7,948	7,948
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	(2,291)	(2,291)
Trade receivables	649	0	649
Other receivables	975	0	975
Financial receivables	0	0	0
Cash and cash equivalents	189	0	189
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(99)	0	(99)
Other payables	(130)	0	(130)
Other financial liabilities	(1,380)	0	(1,380)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	10,486	5,657	16,143
- of which attributable to third parties			(8,088)
Goodwill			4,499
Net value acquired			12,555
Net cash outflow for the acquisition			(12,555)
Cash and cash equivalents acquired			189
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(12,365)

Alto Sangro Distribuzione Gas acquisition

On 31 August 2020, the Parent Company finalised the acquisition of a 51% equity investment in Alto Sangro Distribuzione Gas Srl, a company operating in the gas distribution sector, for a total price of € 19,732 thousand. We can note that, on 3 August 2021, Pescara Distribuzione Gas was merged into Alto Sangro, which at the

same time changed its name to Alto Sangro Distribuzione Gas. The merger has accounting and tax effects backdated to 1 January 2021. The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Alto Sangro Distribuzione Gas (AdistribuzioneGas)		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	25,347	0	25,347
Intangible fixed assets	5	8,862	8,867
Equity investments	106	0	106
Warehouse inventories	0	0	0
Deferred taxes	793	(2,552)	(1,759)
Trade receivables	887	0	887
Other receivables	1,615	0	1,615
Financial receivables	0	0	0
Cash and cash equivalents	931	0	931
Employee severance indemnity and other defined benefit plans	(110)	0	(110)
Provisions for risks and charges	(261)	0	(261)
Current tax assets/liabilities	0	0	0
Trade payables	(1,937)	0	(1,937)
Other payables	(1,928)	0	(1,928)
Other financial liabilities	0	0	0
Payables to banks	(449)	0	(449)
Allocated goodwill	0	0	0
Net balance	24,997	6,309	31,307
- of which attributable to third parties			(15,340)
Goodwill			3,766
Net value acquired			19,732
Net cash outflow for the acquisition			(19,732)
Cash and cash equivalents acquired			931
Repayment of financial payables			0
Payables to banks			(449)
Net cash flow			(19,251)

Acquisition of control over SII

The Parent Company holds a 99.2% stake in Umbriadue, which in turn holds a 25.5% stake in SII, which is a joint stock consortium which was awarded, through the signing of the Agreement, management of the Integrated Water Service for AURI Umbria subsection 4 for 30 years, that is from 31 December 2001 through 31 December 2031. On 16 November 2020, the Group acquired an additional shareholding of 15.5%, thus increasing its shareholding

to 40%. In addition, the changes to the governance structure have resulted in a change of control on the basis of IFRS10, and, therefore, the Company was consolidated on a line-by-line basis as from 17 November 2020.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	SII		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	51,192	0	51,192
Intangible fixed assets	36,409	6,832	43,241
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	381	(1,968)	(1,586)
Trade receivables	44,928	0	44,928
Other receivables	663	0	663
Financial receivables	56	0	56
Cash and cash equivalents	1,993	0	1,993
Employee severance indemnity and other defined benefit plans	(198)	0	(198)
Provisions for risks and charges	(367)	0	(367)
Current tax assets/liabilities	0	0	0
Trade payables	(5,689)	0	(5,689)
Other payables	(56,507)	0	(56,507)
Other financial liabilities	(37,821)	0	(37,821)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	35,040	4,864	39,904
- of which attributable to third parties			(23,943)
Revaluation of previously owned share			(5,283)
Goodwill			305
Net value acquired			10,984
Net cash outflow for the acquisition			(10,984)
Cash and cash equivalents acquired			1,993
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(8,991)

We can note that the stake previously held was revalued, in line with the provisions of IFRS3, through the recognition of income of € 5,283 thousand.

Belaria acquisition

On 21 July 2020, Acea Sun Capital finalised the acquisition of a 49% non-controlling interest in Belaria Srl, for the price of € 4,133 thousand, of which € 4,900 to purchase the stake in the share capital and the remaining portion as a financial receivable.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are definitive.

Net assets acquired € thousand	Belaria		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	0	0	0
Intangible fixed assets	2	0	2
Equity investments	9,106	23	9,129
Warehouse inventories	0	0	0
Deferred taxes	0	(3)	(3)
Trade receivables	0	0	0
Other receivables	17	0	17
Financial receivables	0	0	0
Cash and cash equivalents	6	0	6
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	(3)	0	(3)
Trade payables	(28)	0	(28)
Other payables	(726)	0	(726)
Other financial liabilities	(8,387)	0	(8,387)
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	(12)	20	7
- of which attributable to third parties			(4)
Goodwill			672
Net value acquired			675
Net cash outflow for the acquisition			(675)
Cash and cash equivalents acquired			6
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(669)

BUSINESS COMBINATION – PROVISIONAL ACCOUNTING (IFRS3 – PAR.45)

Deco acquisition

On 30 November 2021 Acea Ambiente acquired 65% of Deco, a waste management company whose activities also include the construction and operation of the relevant plants; in addition the

agreement provides for the purchase of a further 35% in January 2023 without conditions precedent or clauses that could lead to the purchase not being considered reasonably certain. Therefore it is considered that as of now all the risks and benefits have been transferred to Acea Ambiente for the 100% equity investment. Consequently in line with what is provided for in the international accounting standards the 100% equity investment was immediately consolidated. The transaction currently being analysed was allocated provisionally as presented below.

Net assets acquired € thousand	Deco		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	21,635	0	21,635
Intangible fixed assets	129	56,354	56,483
Equity investments	20,122	0	20,122
Warehouse inventories	667	0	667
Deferred taxes/Tax Credits	318	(16,241)	(15,924)
Trade receivables	5,960	0	5,960
Other receivables	1,362	0	1,362
Financial receivables	2,979	0	2,979
Cash and cash equivalents	12,617	0	12,617
Employee severance indemnity and other defined benefit plans	(70)	0	(70)
Provisions for risks and charges	(18,120)	0	(18,120)
Current tax assets/liabilities	0	0	0
Trade payables	(4,994)	0	(4,994)
Other payables	(3,353)	0	(3,353)
Other financial liabilities	(13,498)	0	(13,498)
Payables to banks	(201)	0	(201)
Allocated goodwill	0	0	0
Net balance	25,555	40,113	65,668
- of which attributable to third parties			0
Goodwill			30,322
Net value acquired			95,990
Net cash outflow for the acquisition			(95,990)
Cash and cash equivalents acquired			12,617
Repayment of financial payables			0
Payables to banks			(201)
Net cash flow			(83,574)

MEG acquisition

On 14 October 2021 Acea Ambiente acquired 60% of Meg, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

Net balance	3,353
- of which attributable to third parties	(1,341)
Goodwill/(Badwill)	4,145
Net value acquired	6,157
Net cash outflow for the acquisition	(6,157)
Cash and cash equivalents acquired	708
Loan Disbursement	0
Payables to banks	(497)
Net cash flow	(5,946)

AS Recycling acquisition

On 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SSF recycling (Breakdown of plastics into the various polymer categories for sorting).

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand

Net balance	1,468
- of which attributable to third parties	(147)
Goodwill/(Badwill)	1,522
Net value acquired	2,843
Net cash outflow for the acquisition	(2,843)
Cash and cash equivalents acquired	2
Loan Disbursement	0
Payables to banks	0
Net cash flow	(2,840)

INFORMATION ON IFRS5

SCOPE OF THE TRANSACTION

The scope being transferred was achieved through a corporate re-organisation operation and more precisely through operations involving the contribution of business units made up of photovoltaic plants and transfers of intragroup equity investments to Acea Sun Capital. In detail during 2021 the following operations were carried out, in relation to the first closing:

- in July 2021, Acea Sun Capital transferred the equity investment that it held in Energia to Acea Produzione for the book value of € 24,530 thousand; the transfer occurred because the equity investment in Energia is not included in the Energy Box scope;
- in November 2021, Acea Produzione contributed to Acea Green 6 secondary plants for a value of € 8,668 thousand. Subsequently the equity investment in Acea Green held by Acea Produzione was transferred to Acea Sun Capital for the related countervalue of € 8,678 thousand;
- on 3 December 2021, Acea Solar contributed 10 primary plants to Fergas Solar for a value of € 8,042 thousand. The equity investment in Fergas Solar held by Acea Solar was then transferred to Acea Sun Capital for the related countervalue of € 23,721 thousand;
- on 23 December 2021, Acea Produzione contributed the Valle Galeria plant to Acea Renewable. We can note that Acea Renewable will be part of the second closing; however as the condition precedent has already been fulfilled it is included in the scope of transfer at 31 December 2021.

On 19 January 2022 AE Sun Capital (“Holdco”) was set up by Acea Produzione and the Investor, with an initial share capital of € 10 thousand. The “Holdco” will purchase during 2022 100% of the equity investment in Acea Sun Capital, with the methods already described in the paragraph “Application of the standard IFRS5”.

Further evaluative and supplementary information is provided below.

MEASUREMENT OF THE OPERATION AND ACCOUNTING EXPOSURE

In line with the provisions of IFRS5 the assets and liabilities disposed of in the Operation were measured at the lower between carrying amount and fair value net of costs to sell. The fair value of the operation was estimated taking as a reference the contractual sale agreements in being with the investor Equitix, which provide for a price determined through a locked box mechanism, of € 220.3 million, equivalent to the equity value.

The price determined for the operation is defined as a lump sum and the difference between the carrying amount and the fair value less costs to sell did not show possible write-downs; the potential capital gain deriving from the entire operation is currently estimated at approximately € 33 million.

As regards instead the accounting exposure, as already described in the paragraph “Application of the standard IFRS5”, in the present Consolidated Financial Statements the assets and liabilities closely associated with the group held for sale were measured and presented in the 2021 balance sheet in two specific items of the financial situation, that is, assets held for sale and liabilities closely associated with assets held for sale.

We can remind you that neither IFRS5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intragroup transactions, while the economic items were presented in continuity with the previous year.

The contribution of the operation to the equity and financial situation of the Acea Group is presented below:

ASSETS	Effect of application of IFRS5
Tangible fixed assets	79,503
Real estate investments	0
Goodwill	1,974
Concessions	3,972
Intangible fixed assets	31,352
Copyright	18,167
Equity investments in unconsolidated subsidiaries and associates	1,099
Other equity investments	176
Deferred tax assets	(5,203)
Financial assets	7,036
Other assets	4,292
NON-CURRENT ASSETS	142,368
Inventories	0
Trade receivables	9,139
Other current assets	3,655
Current tax assets	336
Current financial assets	555
Cash and cash equivalents	12,374
CURRENT ASSETS	26,057
Non-current assets destined for sale	168,425

LIABILITIES	Effect of application of IFRS5
Staff termination benefits and other defined benefit plans	
Provision for liabilities and charges	(436)
Borrowings and financial liabilities	(20,551)
Other liabilities	0
NON-CURRENT LIABILITIES	(20,987)
Borrowings	(4,331)
Payables to suppliers	(1,874)
Tax payables	(471)
Other current liabilities	(19,739)
CURRENT LIABILITIES	(26,415)
Liabilities closely associated with assets held for sale	47,402

CASH FLOW STATEMENT	Effect of application of IFRS5
A. Cash flow from operating activities	3,962
B. Cash flow from investment activities	(3,189)
C. Cash flow from financing activities	0
D. Net cash flow of the year (A + B + C)	772
E. Cash and cash equivalents at the beginning of the year	11,601
F. Cash and cash equivalents at the end of the year	12,374

SERVICE CONCESSION ARRANGEMENTS

The Acea Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in OTA 4 Ternano–Orvieto through Acea Ambiente.

As for the water segment, the Acea Group provides the **Integrated Water Service (IWS)** under a concession arrangement in the following regions:

- Lazio, where Acea Ato2 SpA and Acea Ato5 SpA provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where GORI SpA provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque SpA, in the province of Florence, through Publiacqua SpA, in the provinces of Siena and Grosseto, through AdF SpA in the province of Arezzo through Nuove Acque SpA and in the province of Lucca and periphery through Geal SpA;
- Umbria, where the Group operates in the province of Perugia through Umbra Acque SpA, and Terni through SII ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with Gesesa SpA and in the municipalities of Termoli and Campagnano with Acea Molise SpA.

Finally, note that since 2019, the Acea Group also distributes gas in Abruzzo, in the provinces of Pescara and Aquila.

For additional information on the legislative and regulatory framework, please refer to the Report on Operations.

PUBLIC LIGHTING - ROME

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its concessionary nature, expires on the same date of the concession (2027).

The service agreement envisages, among other clauses, an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipality or (ii) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry — also due to cases envisaged under Decree Law no. 138/2011 — Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator. Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the

contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as € 39.6 million, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

In June 2016, Acea and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending article 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48.0 million for the entire LED Plan. The agreement calls for the payment of 10% of the price to be paid in advance and the remaining part on the basis of specific bimonthly progress certificates, to be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.

As a result of the implementation of the LED Plan, the parties partially amended article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee.

We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through its areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the ac-

knowledge of the off-balance-sheet payable in relation to the receivables which cannot be settled immediately. Although there are still some receivable items in dispute, following the discussions of July 2021 and up to November 2021, most of the unpaid amount related to previous years was paid by Roma Capitale.

We can inform you finally that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing and the related collections as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

INTEGRATED WATER SERVICE

Lazio - Acea Ato2 SpA (OTA 2 - Central Lazio - Rome)

Acea Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the OTA comprising 112 Municipalities, including Roma Capitale). On 14 July 2021 with Regional Council Resolution no. 10, which followed Regional Executive Resolution no. 752 of 3 November 2020 on the same subject, Optimal Territorial Area no. 2, Central Lazio-Rome, was modified including in it the Municipality of Campagnano di Roma, which previously belonged to OTA no. 1 North Lazio-Viterbo.

In this way the total number of Municipalities of OTA 2 went up from 112 to the current 113. We can inform you in fact that the drinking water service of the Municipality of Arsoli was acquired with effect from 1 December 2021, while the acquisition of the sewerage service will be carried out subject to the condition precedent laid down in the same Report.

In return for award of the concession, Acea Ato2 pays a fee to all the Municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for Municipalities already taken over) has been completed for 97 Municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT 2011).

With Resolution 197/2021/R/idr dated 11 May 2021, ARERA approved the tariff provisions for the third regulatory period (four-year period 2020-2023), adopted by the Mayors' Conference of OTA 2 Central Lazio - Rome Ato 2 SpA with Resolution 6/20 at the meeting of 27 November 2020. Pending approval by the Authority, the tariff prepared by the Governing Body in compliance with paragraph 7.3, letter b) of Resolution ARERA 580/2019/R/idr (MTI-3), was applied.

The main points of the tariff provision are as follows:

- Placing of the management in the regulatory scheme related to the 5th quadrant pursuant to paragraph 5.1 of Annex A (MTI-3) of Resolution 580/2019/R/idr (high investments with respect to the value of the existing infrastructures and average per-capita Guaranteed Revenue Constraint (GRC) higher than the national average figure determined by ARERA);
- Works programme for the four-year period 2020-2023 for over € 1,300 million, with new investments for around € 90 per capita per year; an additional amount of € 3,200 million is envisaged for the subsequent period 2024-2032;
- Tariff multiplier theta (to be applied to the tariff in force at 31 December 2015) of 1.020 for 2020, 1.078 for 2021 and for the following two years of 1.139 and 1.202 respectively. The theta

multipliers for 2022 and 2023 may be redetermined following the biannual update, as provided in article 6 of Resolution 580/2019/R/idr;

- Use of what is not spent of the solidarity contribution collected in the whole of 2019 (more than € 5.6 million) to reduce the tariff adjustments due for 2020 and 2021;
- Adoption of the value of the "psi" parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNInew);
- Portion as per paragraph 36.3 of Annex A of Resolution 580/2019/R/idr, aimed at integrating the national mechanism to improve the quality of the integrated water system (to be paid to CSEA and included in billing documents with the relevant reason) of € 0.4 cents/mc applied to water pipeline, sewerage and purification volumes with effect from 01 January 2020.

After the tariff approval by ARERA, in July the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting to the Authority's prescriptions the RDT (Tariff Data Collection) calculation file and, for consistency, the accompanying Report and that related to quality objectives and Action Plan/Strategic Works Plan. The main changes consist of a variation in distribution of some Guaranteed Revenue Constraint (GRC) components for the years 2022 and 2023 and the updating of the calculation methods for some technical quality indicators. However, there is no change in the tariff multiplier values for the 2020-2023 four-year period compared to what was approved by the Mayors' Conference.

The aforementioned resolution of the Conference of Mayors no. 6/2020 also updated the implementation regulation for the integrated water bonus for the OTA 2 Central Lazio - Rome. As extraordinary measures and up to 31 December 2021 (unless extended), the new provisions introduced allow users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA exclusively to cover earlier arrears, in addition to the ordinary amount to have access to a further once-off amount up to three times the ordinary value.

Those entitled are direct users (holders of a residential household account) and indirect users (household users in an apartment complex) with the following requisites:

- a. ISEE indicator up to € 13,939.11 and household of up to 3 members;
- b. ISEE indicator up to € 15,989.46 and household with 4 members;
- c. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Under their own responsibility and based on specific certification by the relevant offices, the Municipal Administrations also have the power to authorise the supply for individual users in situations of proven particular economic/social hardship, increasing the ISEE threshold for admission for this specific case.

The amount of the "local" bonus, consisting of the payment of a once-off annual contribution recognised in the bill (in the case of indirect users in the apartment building utility bill), is calculated as the expenditure corresponding to the fixed and variable fees for water, sewerage and purification for a consumption of up to 40 cubic metres per year for each member of the household, for direct and indirect users with ISEE up to € 8,265 and 20 cubic metres

per year for each member of the household for other eligible users, based on the tariff in force during the reference year. The bonus is valid for one year and is paid in a single payment, normally within 6 months from the date of submission of the application.

It is worth noting finally the approval, with Mayors' Conference Resolution no. 4-21 of 1 July 2021, of the Regulations for users of the integrated water service in OTA 2 Central Lazio – Rome, updated with the supplements necessary to implement the legislative innovations introduced *ope legis*.

As of the date of this report, the appeals filed by Acea Ato2 before the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/idr (MTI), Resolution no. 664/2015/R/idr (MTI-2) and Resolution no. 580/2019/R/idr are still pending.

With regard to **Resolution 643/2013**, it should be noted that on 8 May 2014 additional grounds were presented for the cancellation of ARERA decisions no. 2 and no. 3. On 9 December 2014 additional grounds were presented for the cancellation of Resolution 463/2014/R/idr. Pending the scheduling of the hearing, in April 2019 the notice of the hearing was received (the administrative process was cancelled due to the inactivity of the party). Following this communication, on 20 June 2019 Acea Ato2 presented the request for the scheduling of the hearing together with the new power of attorney signed by the Chairperson. The hearing was therefore set for 22 February 2022.

With regard to **Resolution no. 664/2015**, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/idr (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.

In February 2020, Acea Ato2 also challenged **Resolution 580/2019** which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea ato5, Acea Molise srl and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/idr for the adoption of urgent measures in the integrated water service, in the light of the Covid-19 emergency was also appealed). We are awaiting the scheduling of the hearing.

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with resolution no. 580/2019/R/idr of 27 December 2019. In particular, the aforesaid revenues are in keeping with the 2020-2022 tariff arrangement approved by the Mayors' Conference of OTA 2 on 27 November 2020 and by ARERA on 11 May 2021. It is noted that, after the tariff approval by ARERA, in July 2021 the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting the RDT (Tariff Data Collection) calculation file to the Authority's prescriptions and, for consistency, doing likewise with the accompanying Report and the report on quality objectives and the Action Plan/Strategic Works Plan.

For the purposes of calculating the revenues accruing to financial year 2021 we took into account the interpretation regarding the delimitation of the "other water activities" that emerges from the aforementioned Resolution on the 2020-2023 tariff preparation. Therefore the revenues of the period amounted to € 677.6 million: they include the estimate of adjustments to pass-through items, the FoNI component of € 69.5 million (€ 56.1 million for the FNI component and € 13.4 million for the Amm.Foni).

Lazio - Acea Ato5 SpA (OTA 5 - Southern Lazio - Frosinone)

Acea Ato5 provides integrated water services on the basis of a 30-year agreement signed on 27 June 2003 by the Company and Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.

The management of the integrated water service in the OTA 5 region – Southern Lazio – Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca d'Evandro are "outside the scope") for a total population of about **489,000** inhabitants, a population served of **455,164** inhabitants, with a service coverage equal to approximately **93%** of the territory. The number of users is **201,878**.

The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.

The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals. There are 229 sewerage pumping stations managed by the Company and 127 treatment plants, including the "inaccessible" plants and those outside the OTA (Rocca d'Evandro and Conca Casale).

With regard to 2021, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Information System. According to the 2019-2022 plan for significant activities, as at 31 December 2021 the size of the water network is 6,027 total km (1,207 km supply +4,820 km distribution).

With regard to the acquisition of the plants relating to the management in the Municipality of Paliano, in November 2018 the Council of State finally decided on the appeal filed by the Municipality of Paliano against the decision of the Regional Administrative Court no. 6/2018 – which upheld the appeal filed by the Company against the Municipality of Paliano, in order to obtain the annulment of the measure by which the Municipality opposed its refusal to transfer the service – with decision no. 6635/2018 rejected the appeal filed by the Municipality of Paliano and consequently upheld the decision handed down by the Regional Administrative Court of Latina, reaffirming that the safeguard regime granted to AMEA was "limited to a period of three years from the date of signing of the Management Agreement between OTAA 5 and Acea Ato5; this deadline therefore expired in 2006, so that, after that date, AMEA's management was to be considered without title".

Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the prepara-

tory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties — with minutes of 26 November 2018 and 29 November 2018 — performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the IWS.

To date, the parties are sharing the IWS handover report, which should also result in the waiver of pending litigation between them. The Parties subsequently held other meetings in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to Acea Ato5. However, the Municipality has not provided all the requested information. Acea Ato5 informed the OTS of this situation on 3 December 2020, and, in the meantime, on 15 December 2020 the Lazio Region also requested clarifications from the Municipality of Paliano and the Area Authority regarding the non-completion of the operations to transfer the Integrated Water Service to Acea Ato5, warning that in the event of failure to comply with this obligation, procedures would be initiated for the application of substitute powers pursuant to art. 172, paragraph 4 of Italian Legislative Decree no. 152/2006, as amended. The Municipality of Paliano requested an extension to the deadline of thirty days assigned by the Lazio Region. We are therefore awaiting the initiative of the Municipality of Paliano and the Area Authority required to finalise the transfer of the IWS of the Municipality of Paliano.

With regard to the Municipality of Atina, whose management of the IWS has been transferred to Acea Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to “establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2 bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a ‘local public service without economic importance’”.

OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court - Latina Section - also serving the Company and the Lazio Region.

As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality’s request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree no. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

With reference to the **Tariffs**, on 10 March 2021, the OTAA 5 Mayors’ Conference approved the tariff proposal for 2020-2023, with Resolution no. 1/2021. This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

With reference to **operating costs** note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021. Relative to the **tariff multiplier** note that the Tariff Structure approved by OTAA 5 established a tariff multiplier with the following problems:

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which Acea Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied — for the respective years — is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/idr);
- it does not provide for adequate coverage of the operating costs incurred by the Operator;
- it does not apply a congruous indemnity rate for existing receivables.

As is known, following the tariff scenario approved by Resolution no. 1 of 10 March 2021 of the OTAA 5 Mayors’ Conference and referred to in ARERA Resolution no. 580/2019/R/idr of 27 December 2019, the company has put in place two separate actions:

- Appeal against this resolution before the Latina Regional Administrative Court (docket no. 308/2021 section 1);
- Submission of the request for economic-financial rebalancing (in accordance with the provisions of arts. 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/R/idr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed the sentence before the Council of State.

With reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of OTA 5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA 5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks, making use of qualified external consultants. As of the date of preparation of this report, there are no elements that can be used to predict the outcome of the request.

Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/idr of 27 December 2019 and amount to € 80.8 million, including the estimate of adjustments for pass through items and the FoNI component of € 9.1 million.

Tariff adjustments amount to € 100.2 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for the years 2012-2017 and the subsequent tariff update of 1 August 2018 by the AGB.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the Acea Ato5 SpA subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution No. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the company has succeeded in managing the financial situation highlighted in the 2020 budget, partially mitigating the financial imbalance.

With regard to **relations with OTAA 5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTAA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution. In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of OTA 5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies. On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA 5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees – the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000 (it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings – see the description in the preceding paragraph “Injunction order for € 10,700,000 and counterclaim OTAA 5 concession fees”);
- quantification of the concession fee relative to the period 2012-2017, and the linked destination of any economies for a total of 12,798,930.00 – the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,000.00) – the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the dam-

age suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regard to the Area Authority;

- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 — the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the OTA 5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato5, assessed in the amount of € 650,000.00 — the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000.00 — the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000.00;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 — the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 — the Board proposes recognition of this claim in favour of the Operator.

The “Conciliation Proposal” and the draft “Conciliation Deed” were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of OTAA 5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA 5 and Acea Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. Based on the information available, considering the approval of the Concilia-

tion Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, at the end of 2019 the Company decided to allocate a provision for risks for € 4,500,000.

To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents.

Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone. Subsequently, on 26 January 2022, the OTS of OTAA 5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 million relating to the aforementioned savings on concession fees for the period 2012-2017, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which - according to the OTS — was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2017 licence fees, had clarified that “these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager” and that they would indeed represent a suitable financial source to cover the debt of € 10,7 million owed to the Manager or, alternatively, — as proposed in the draft conciliation agreement — to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.

However, the Company is willing to set up a round table to discuss the matter further and find the most suitable solution to reconcile their mutual interests. As of the date of this report, no response to this note has been received from the OTS of the AGB.

In view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA 5, the Company considers the draft Conciliation approved by the Board of Directors of Acea Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent — to the extent of the net amount of € 4.5 million to be paid to the AGB under it — an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2021 financial statements.

As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.

The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and — most recently — on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

In reference to additional cases related to legal disputes, filed or being filed, see the “*Update on major disputes and litigation*” section of this document”.

Acea Molise

Acea Molise Srl manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
 - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA 2 Lazio);
 - operation of the purification plant in the Municipality of Valmontone (OTA 2 Lazio).

The Termoli and Campagnano concessions expired at the end of 2021 and were extended by the authorities to 30 June 2022 for the Termoli municipality and to 31 December 2022 for the Campagnano municipality, for the time necessary to activate the procedures for takeover and handover to the new Manager.

The Service Contract with the Municipality of Valmontone expires in April 2022.

Since 1993, the company has managed the water service in the **Municipality of Termoli** and, since 1999, also the urban waste water purification service, by virtue of the relevant agreements no. 170 of 30 June 1993 and no. 778 of 18 January 1999.

At the request of the Manager, Acea Molise, in 2019, the said Conventions were revised by the Municipality of Termoli, with the aim of standardising the management of the entire water sector in the city in a single document, and of adapting the contractual regulatory framework to the changes in the sector over time, in particular, to the standard convention approved by ARERA with Resolution no. 656/2015/R/idr of 23 December 2015.

On 17 December 2019, the Municipality of Termoli, with Council Resolution no. 299, approved the new revised Management Agreement according to the scheme of the ARERA standard Agreement. Further, in June 2021, the senior management of Acea Molise Srl favourably considered the opportunity to prepare and submit to the Municipality of Termoli (CB), as promoter, a “Finance Project for the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli”. The Company’s administrative and technical departments then prepared the Finance Project, and it was officially submitted to the Termoli Municipality on 1 October 2021. Subsequently, on 9 December 2021, by means of Council Resolution no. 276, the Municipality of Termoli positively assessed the submitted Private Finance Project, declaring it to be of public interest. Under the conditions described, the Integrated Water Service carried out by Acea Molise, which expires on 31 December 2021, will be technically extended for the time necessary to carry out the relevant tender. For the purpose of business continuity, it is recalled that in the event that more economically advantageous tenders are submitted during the tender, Acea Molise, as promoter of the Project, has the right of pre-emption.

The concessionary management of the drinking water distribution service of the **Municipality of Campagnano** was entrusted in 1991 and extended in 2000 to the entire Integrated Water Service following a review of the pre-existing concession. Since this is a safeguarded management pursuant to art. 10, paragraph 3 of Law 36/94 and Regional Law (Lazio Region) no. 6/96 art. 12, as amended, the concession has reached its natural expiry date of 31

December 2020.

The handover of management from Acea Molise to the Single Area Manager in 2021 was not carried out for the following reasons.

By Regional Law no. 6 of 22 January 1996, the municipality of Campagnano di Roma was included in OTA 1 Lazio North-Viterbo, whose sole manager is the company Talete SpA. However, the Municipality of Campagnano, by means of Municipal Council resolution no. 5 of 23 April 2015, submitted a formal request to Lazio Region to amend the Optimal Territorial Areas, in order to allow the transfer of the Municipality of Campagnano di Roma from OTA1 North Lazio-Viterbo to OTA 2 Central Lazio-Rome, whose sole manager is Acea Ato2.

With Resolution no. 752 of 3 November 2020, the Lazio Regional Council ordered the modification of the delimitation of Optimal Territorial Area no. 1 North Lazio-Viterbo by eliminating the municipality of Campagnano di Roma and including it in Optimal Territorial Area no. 2 Central Lazio-Rome.

This Resolution of the Regional Council concerning the transfer from OTA 1 to OTA 2 requires subsequent ratification by the Regional Council in order to become effective.

On 9 December 2020, in anticipation of the natural expiry of the Convention for the Management of the Integrated Water Service of the Municipality of Campagnano di Roma, Acea Molise with note ref. 21308, wrote to the concerned authority (the Municipality of Campagnano, the OTS of OTA 2, ARERA, and Acea Ato2) about the methods and procedure to be followed for the takeover of the new Area Manager, and the criteria for determining and paying the reimbursement value to the outgoing Manager. Pending ratification by the Regional Council, on 29 December 2020, the Municipality of Campagnano di Roma, by means of Municipal Council Resolution no. 73, extended the management of the integrated water service by Acea Molise under the same terms and conditions as the pre-existing agreement, for a period of six months (i.e. until 30 June 2021), which is considered the minimum time necessary to settle the events described.

On 14 July 2021, the Regional Council of Lazio Region, with resolution no. 10, ratified the transfer of the Municipality of Campagnano di Roma from OTA 1 North Lazio-Viterbo to OTA 2 Central Lazio-Rome.

Having acknowledged the ratification by the region, the Municipality of Campagnano di Roma, by resolution of the Extraordinary Commissioner No. 12 of 6 August 2021, extended the management of the integrated water service by Acea Molise, under the same terms and conditions as the pre-existing agreement, for a further six months, i.e. until 31 December 2021, to allow the completion of the transfer of the area and the handing over of the service to the sole manager Acea Ato2.

Despite the commitment of the parties involved in the handover of management, on 14 December 2021, by letter ref. 37728, the mayor of the municipality of Campagnano di Roma, in view of the complexity of the administrative and technical procedures for joining OTA 2, asked Acea Molise to continue to manage the integrated water service in the municipality for another year, i.e. until 31 December 2022, which is a reasonable estimate for the conclusion of the transfer of management to Acea Ato2. At the same time, it asked Acea Molise to be willing to manage the municipal arsenic treatment plant (drinking water treatment plant) from 1 January 2022, subject to tariff adjustment.

On 20 December 2021, with a letter ref. 24984, Acea Molise Srl has declared that it is willing to continue the municipal integrated water service for another year and to extend its management by taking over the drinking water treatment plant.

With regard to the management of the **Valmontone Purification Plant**, it should be noted that this is carried out regularly, despite the fact that the plant requires significant extraordinary maintenance and renovation work, which has been requested several times from the municipality, as provided for in the contract, but which has not yet been carried out, because the municipality has not commented on the manager's proposals. It should be noted that the Company operates the plant and is remunerated on an annual basis.

For some of the more urgent aspects, such as the upgrading of the plant for the purposes of worker safety, the Company has taken direct action both through purchases/maintenance work and by adopting suitable working procedures; where possible, also in relation to the provisions of the concession, the Municipality has been asked to recognise the corresponding amounts. It should be noted that the plant is part of Optimal Territorial Area no. 2 of Lazio Region for the management of the Integrated Water System, entrusted to the company Acea Ato2. In agreement with the Rome Province Area Authority, Acea Ato2 has taken over only the water service in the Municipality of Valmontone, but not yet the sewerage and purification systems, which will soon undergo modernisation work. Upon completion of the same, Acea Ato2 will take over the entire service, and therefore also the management of the purification plant assigned to the Company.

Campania - GORI SpA (Sarnese Vesuviano)

GORI provides integrated water services in 76 Municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor of the concession (the Sarnese Vesuviano Area Authority), based on the date the right to manage the related services is effectively acquired. The area of operations has remained unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 Municipalities are managed, i.e. all those falling under OTA 3 in the Campania Region.

2020-2023 Regulatory Framework

On 12 August 2021, the Executive Committee of the Authority definitively approved the 2020-2023 Regulatory Framework for the operator GORI SpA with Resolution No 35; also on 12 August 2021, the offices of the CWA then sent the regulatory framework to ARERA via the IT procedure. Under this CWA-approved regulatory framework, a Theta of 1 is provided for the years 2020, 2021 and 2023 and a Theta increase of 2.4 is provided for the year 2022.

In the resolution in question, the CWA also decided to postpone any further and final determination regarding possible corrective measures on the regulatory frameworks referring to previous periods not considered in the approved proposal, in order to wait for the measures that ARERA will have to take in execution of the provisions established by the ruling of the Council of State, Sixth Section, no. 5309/2021 of 13 July 2021; more specifically, the Council of State ordered ARERA to renew the preliminary investigation underlying the tariff determinations approved by the same ARERA with Resolution no. 104/2016/R/idr concerning the "approval for the purposes of establishing the value of adjustments in the context of the tariff method for the second regulatory period MTI-2, tariff provisions regarding the Sarnese-Vesuvian optimal territorial area, for the 2012-2015 period", without prejudice to the fact that "renewal of the enquiry has no constrained content; it could end obviously in confirma-

tion of the tariff decision cancelled herein only for insufficient enquiry". Therefore, with Resolution no. 373/2021/R/idr of 7 September 2021 and the subsequent Resolution no. 18/2022/R/idr of 18 January 2022, ARERA started the procedure for the renewal of the aforementioned enquiry, at the end of which it must adopt the final measure by 15 March 2022, due to the extension of the term intervened with the aforementioned Resolution no. 18/2022/R/idr. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority ("CWA") — at the specific request of the Authority and in response to the requirements of Council of State Sentence no. 5309/2021 — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI SpA ("GORI" or "Operator" or "Company") effectively implemented the Area Plan up to the end of 2011 in accordance with the provisions of sector-specific legislation. Consequently, on the basis of the EIC's findings to date, one could justifiably exclude — at least in theory — any reduction in the tariff increases established by ARERA's Resolution 104/2016/R/idr.

Revenue as at 31 December 2021, amounting to a total of € 208.4 million, was determined on the basis of the regulatory framework approved by the Campania Water Authority with Resolution 35/2021, in compliance with ARERA Resolution 580/2019/R/idr, highlighting that, in order to achieve financial balance in management of the Sarnese Vesuviano District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was determined, through regulatory postponement of the portion of costs exceeding the maximum limit to subsequent years, according to the provisions of the Regulatory Framework of reference.

Verification of parameters to identify the regulatory quadrant and the presence of OP_{new} relative to systematic changes in operator activities in the "presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

It should also be noted that, for the calculation of the GRC at 31 December 2021, the constraint component relating to the Op_{social} supplementary water bonus has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, specific deliberative act is actually missing, considering that "the disbursement of the supplementary water bonus is subject to any determinations that will be made, in this regard, by the Campania Water Board to maintain the facility provided in the 2018-2019 two-year period, identifying at the same time the number of beneficiaries entitled to the supplementary water bonus and the related access procedures".

The purely regulatory component $CO_{\Delta fanghi}$ was instead considered. The Op_{QC} and Op_{QT} components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019. Also in this case, given that ARERA did not approve the requests submitted for recognition of additional costs as an Op_{end} component for the new scope, the OP_{new} included in the calculation were

quantified in the same manner as in previous years, and therefore based on the principle of full cost recovery, the costs effectively suffered for systems transferred at 31 December 2021 are covered, as demonstrated in the accounting documents.

At 31 December 2021, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Anagni Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs $Opex_{end}$ were defined based on what is established in art. 17.1 of Annex A to resolution ARERA 580/2019/R/idr when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to art. 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in art. 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million. The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA resolution no. 580/2019/R/idr which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2021, the tariff approved by the CWA by resolution no. 7 of 26 June 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the “Campania Region” operator and is equal to 0.192941 €/m³, with the application, both for the year 2020 and for the year 2021, of a theta equal to 1.

The pertinent cost at 31 December 2021 on the CO_{ws} relating to regional water supplies, according to the principle of full cost recovery, was approximately € 4.1 million, entered for the same amount in GRC and in the related costs.

As regards the CO_{ws} of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2021, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m³, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by

the regional plants.

Furthermore, in the determination of the GRC for the year ended 31 December 2021, the regulatory effects on the year 2020 deriving from the application of the regulatory framework approved by the CWA, with effect on the GRC for financial year 2020, were also taken into account, with the allocation to the “exceptional events” component for a total value of € 0.5 million.

It should be noted that the increase in costs incurred on Regional Works transferred by virtue of the completion of the transfer schedule, and taken into account in the relevant GRC as OP^{new} , was offset by lower costs incurred on electricity supplies and water purchases from the Campania Region; for this reason, despite the non-application of tariff increases since, as previously represented, the regulatory framework approved by the Campania Water Authority provides, for the year 2021, the application of a theta=1 tariff multiplier, the tariff revenue allowed for the recovery of tariff adjustments equal to € 4.9 million. In addition, it should be noted that, upon completion of the billing cycle with respect to the 2019 reference year, there was a residual accrual to be issued, amounting to € 8.4 million, which was allocated as an increase in tariff adjustments to be recovered.

Therefore, the tariff adjustments, as of 31 December 2021, amount to € 146.8 million.

With reference to the judgement of the Lombardy Regional Administrative Court (RAC) no. 1619 of 29 June 2018 we can inform you that the Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy RAC Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding “*the quantification of the tariffs*”, because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid “*quantification of the tariffs*”, on the verification of effective implementation of the Area Plan “... *taking into account the need to verify the congruity of the costs with respect to the planned objectives also “in relation to the investments planned” (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...*». The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr “*while awaiting renewal of the enquiry proceeding*” of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding “*quantification of the tariffs*” — “*as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan*” — without affecting the fact that “*renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformative effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly*

and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase cancelled herein were to be calculated in an amount of less than thirty percent)". In this regard, it is specified that since the Campania Water Authority (i.e., the competent government authority) has not adopted the tariff structure for the 2020-2023 four-year period, ARERA gave notice to the Campania Water Authority on 2 July 2021 to "comply pursuant to paragraph 5.6 of resolution 580/2019/R/idr and art. 3, paragraph 1(f) of the Prime Ministerial Decree of 20 July 2012" and, therefore, to proceed, within 30 days from receipt of said memo, with the decisions and submissions within its remit with reference to the years 2020-2023, "noting that, after this deadline the operator's request would be understood to have been accepted by the competent authority as the tariff structure, as a result of the provisions of art. 20 of Law no. 241/1990, and would be sent to the Authority for evaluation and approval in the subsequent 90 days.". Following ruling no. 5309/2021 of the Council of State, ARERA gave another notice to the Campania Water Authority (which had communicated that it had "deferred the approval of the 2020-2023 regulatory scheme, as prepared by the offices, in order to verify the impact of the Ruling [of the Council of State] on the Regulatory scheme in question and pending the acquisition of specific clarifications [...]") from the Authority regarding the effects of said ruling) and the Operator - each within the scope of its own remit and "[...] pending the said renewal [of the supplementary investigation ordered from it by the Administrative Judge] [...]" - to proceed with adopting the 2020-2023 tariff structure "[...] while guaranteeing the economic and financial balance of the management [...]" and taking account "[...] (also for the purposes of verification of compliance with the price limit set by the regulation in force pro-tempore) of the effects of what was established by the aforementioned ruling [...]", thus in terms of "price limits" of invoicing users. Therefore, ARERA - with Resolution 373/2021/R/idr of 7 September 2021 - has already initiated the procedure for compliance with Ruling No 5309/2021 of the Council of State, with the primary and express purpose of "... renewal of the preliminary enquiry - limited to the profiles referred to in the grounds [of Ruling No 5309/2021] - underlying the tariff determinations referred to in Resolution 104/2016/R/idr". More specifically, according to the provisions of the cited Resolution 373/2021/R/idr, the procedure in question must be concluded by ARERA "...by 31 December 2021", a deadline subsequently extended to 15 March 2022 by ARERA Resolution 18/2022/R/idr of 18 January 2022. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority - at the specific request of the Authority - has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of what has been ascertained by the CWA, it is already possible - at least logically - to exclude any curtailment to the tariff increases established by ARERA Resolution No 104/2016/R/idr, given that the same Authority will also have to adopt the determinations required by the Council of State as a result of the aforementioned CWA verifications. Furthermore, within the scope of the investigations carried out, it emerges that no immediate restitution should be made, given that any reduction of 30% (if confirmed) would in any case be absorbed by the tariff adjustments accrued by the Operator GORI and still open, as confirmed by the resolution of the Executive Committee of

the CWA no. 35 of 12 August 2021. At this stage, it is therefore appropriate to await the measures that the Authority will adopt by the deadline (15/03/2022) in execution of Ruling no. 5309/2021 of the Council of State.

In conclusion, the Company must wait for the decisions to be taken by ARERA, so - on the basis of the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

Campania - Gesesa SpA (OTA 1 - Calore Irpino)

The Company operates in OTA 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service in 22 Municipalities in the Province of Benevento for a total resident population of about 120,000 inhabitants spread over the whole provincial area with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to approximately 57,247, for which 2021 consumption has been estimated at about 7,802,223 cubic metres of water. The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users.

One of the company's objectives was to consolidate, expand and increase the efficiency in particular of the sewerage and treatment service. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the treatment plants and the preliminary design of those not yet present in the territory.

The wholesale water supply service regards only one Municipality in the Province of Benevento (Campoli MT).

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 RGNR, which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to article 356 of the Criminal Code and the crime of environmental pollution, pursuant to art. 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

The Public Prosecutor's Office requested the preventive seizure of 12 purification plants managed by the Company, assigning them to a Judicial Administrator. In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, which will be begun shortly by the Judicial Administrator.

After discussions between the Company and the Judicial Adminis-

tration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. During the meeting, held on 4 November 2021, of the Technical Advisory Committee, set up to manage the activities envisaged by the agreement, with the Judicial Administrator, the time schedule of the necessary interventions was redetermined with an increase of approximately 15% in the cost of the works that brought the maximum estimate to approximately € 800 thousand. Participants in the meeting also took note of the slowdown in the execution of the works, largely due to delays in the supply of materials encountered due to the Covid emergency, and recalculated the end date of the redevelopment works by extending it to 31 March 2022. With regard to the 231 proceedings against the company, it should be pointed out that, on 11 November 2021, the Examining Judge, at the request of the C.T. and the Public Prosecutor, ordered the seizure of money, directly traceable to the profit of the crime at the company's disposal and the seizure, with the aim of confiscation, of fungible assets, property and anything else of patrimonial value at the Company's disposal, up to a value of over € 78,000,000, with the appointment of a Judicial Administrator. Gesesa immediately appealed against this measure to the Judicial Review Court. The application for review was fully granted by the Court on 21 December 2021 and, consequently, the preventive seizure decree was cancelled, resulting in the release of the assets and their subsequent return to the Company.

The main consequence of this event was a sharp increase in attention on the part of the lending banks and, in the immediate term, the suspension of the signing of a significant line of credit (approximately € 1,500,000) and the non-renewal of the line of advances on water bill collections maturing on 20 December 2021. In order to meet this commitment, the Company requested a loan from the shareholder, Acea Molise, which was disbursed in early January 2022.

It is hoped that the release of the seizure will enable the company to resume discussions with the two banks regarding the two financial transactions.

With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings. In any case, the Company is carrying out all possible collaboration activities with the Judicial Authorities.

With regard to the biennial update of the 2018-2019 tariffs, the Company prepared the final accounts referring to the 2016 and 2017 years and the Works Programme for the preparation of the tariff revision proposal with the definition of the GRCs and the Theta for the years 2018-2019, revising the investment planning

for the years 2018-2019, also incorporating the results of the inspection audit of 16-20 October 2017 contained in the ARERA Determination No DSAI/26/2018/idr, dated 10 April 2018, having as its object the initiation of a proceeding for the adoption of sanctioning and prescriptive measures regarding the tariff regulation of the Integrated Water Service.

With regard to the sanctioning proceedings under DSAI/26/2018/idr, in October 2021 the Authority sent a request for information on the activities put in place in relation to the reimbursements to be made to users and the other findings of the proceedings.

In the feedback, the Company reported on the status of the reimbursements made, expecting to conclude the task within 6 months. For other points, it is highlighted that in the biennial tariff update proposal for 2016/2019, pursuant to resolution 918/2017, the Company implemented the results of the ARERA audit contained in determination DSAI/26/2018/idr, making the necessary changes to the previous tariff structure for 2016-2017. This proposal is under approval by the CWA.

Following this correspondence, in January 2022, ARERA received the results of the preliminary investigation, in which the Authority pointed out that some points of the assessment had been archived and highlighted that the completion of the prescribed reimbursement activities would be considered favourably when closing the proceedings. In this regard, in February, the Company completed its reimbursement to all users and sent a memorandum of reply to the Authority, highlighting this and reiterating that, for the other points covered by the proceedings, it is still waiting for the approval of the two-yearly MTI2 update. On the basis of these considerations, given that all the points of the sanctioning procedure have been acknowledged, the Company has not deemed it necessary to make any provision for risks. The 2018-2019 tariff proposal is awaiting approval by the CWA, which in any case, following examination of the documentation produced, has deemed it consistent with the regulatory framework approved by ARERA.

Following the Deliberation of 27 December 2019 580/2019/R/idr, the data collection activity for the preparation of the tariff proposal for the period covered by the resolution (2020-2023) was initiated in agreement with the CWA and data validation was carried out in July 2020. In 2020, the tariff proposal for the 2020/2023 period was being analysed and evaluated by the CWA, with which there were continuous relations for the final definition of the economic/financial data and the Action Plan. In view of the CWA's inaction in defining and sending the two tariff proposals to ARERA for approval, at the end of 2020 and on 29 December 2020 exactly, the Company requested ARERA to exercise substitute powers to approve the 2018-19 (MT2) and 2020-2023 (MT3) update tariff proposals and on 5 January 2021, following the opening of the portal by the Authority, all related documentation was sent to ARERA electronically.

As a result of the above, revenues were updated and recorded in 2021 on the basis of the new Guaranteed Revenue Constraint ("GRC") envisaged for 2021 in the calculation tool under the new MT3 method for the 2020/2023 period, currently awaiting approval by ARERA.

Tuscany - Acque SpA (OTA 2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with an initial 20-year duration was signed on 21 December 2001, then in October 2018 it was extended to 2031. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 2, comprising all public water col-

lection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the “Update of the tariff structure 2018-2019”, the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a re-modulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/idr ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases. Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2021 financial statements represent the GRC value recognised to the operator.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. On 28 September 2021 with Resolution No 404/2021/R/idr, ARERA approved this proposal. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020 - 2023 were also approved. The maximum amount of the residual portion of the adjustment components, as per Article 27 of Annex A of Resolution 580/2019/R/idr, provided for in the tariff after 2023, totalling € 2,895,690, was also indicated.

Tuscany - Publiacqua SpA (OTA 3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Oper-

ator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts. In June 2006, Acea – via the vehicle Acque Blu Fiorentina – completed its acquisition of an interest in the company.

Total revenues for the year, including adjustments to pass-through items, amounted to € 243.2 million (€ 97.3 million in the Group). Revenues also include the FoNI component for € 32.7 million (Group share € 13.0 million).

In terms of sources of financing, it should be noted that following the extension of the concession to 2024, on 31 July 2019 the Company signed the new loan for € 140.0 million divided among five lending banks. The Base Line must be used for the full repayment of the existing Loan stipulated on 30 March 2016 with BNL and Banca Intesa for the payment of the ancillary costs of the new Loan and for the requirements related to the realisation of the investments envisaged in the EFP, while the Investment Line will be used to fully cover the requirements for further investments envisaged in the EFP.

Tuscany - Acquedotto del Fiora SpA (OTA 6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and wastewater treatment. The concession term is 25 years from 1 January 2002, and in 2020 was extended until 2031. Via the vehicle Ombrone SpA, in August 2004 Acea completed its acquisition of a stake in the Company's capital.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/idr of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 111.8 million and a share of FoNI equal to € 11.1

million.

Umbria - Umbra Acque SpA (OTA 1 - Umbria 1)

On 26 November 2007 Acea was finally awarded the tender called by the OTA 1 Perugia Area Authority for selecting the private minority industrial partner of Umbra Acque (expiry of the concession on 31 December 2027) The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

As of 31 December 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 an applicable theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.85 at 31 December 2021. The number of users served was approximately 234 thousand, substantially unchanged compared to the previous year. In terms of volumes, as of 31 December 2021, approximately 28.2 million cubic metres of water had been invoiced (measured and estimated), up from the previous year (+2.2%). The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031. On the basis of the determinations of the ARERA, the revenues for the period were recognised for a total of € 76.8 million (Group share € 30.7 million) and include a portion of FoNI of € 2.9 million (Group share € 1.2 million), including the adjustment of pass-through items.

Umbria - SII ScpA (OTA 2 - Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria n°2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. There are about 121 thousand users served and the quantity of water supplied during 2021 is 12.5 million cubic meters.

As mentioned, on 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni SpA to the shareholder Umbriadue Scarl The changes also enabled full consolidation of SII in the Acea Group financial statements. On 10 March 2021, AURI approved the new version of the Service Charter, updated pursuant to ARERA Resolutions No 655/2015 (Contractual Quality), No 218/2016 (Regulation of the Measurement Service), No 917/2017 (Technical Quality), No 311/2019/R/idr (REMSI) and No 547/2019/R/idr (Short Prescription). Finally, it should be noted that on 22 June 2021, AURI approved the regulations for the application of the supplementary water bonus to which, therefore, in the last quarter of 2021, the Company will apply retroactively from the first billing cycle of 2022.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opex _{QC} . ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opex _{QC} . Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opex _{QC} as of 2017. Approval by ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA warned the EIC on 2 July 2021, and with a resolution of 12 August 2021 it approved the 2020-2023 tariff proposal.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opex _{QC} . Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opex _{QC} . On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised Opex _{QC}) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the Opex _{QC} . On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 (2020-2023)
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates .	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/idr of 25 May 2021.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{QC}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018 .	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.
SII Terni Scapa	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in 2021 valued on the basis of the new MTI-

3 Tariff Method. The data also include the adjustments of passing items and the FoNI component.

Company

(pro quota values in € million)

Company	Revenue from the IWS	FoNI
Acea Ato2	677.6	FNI = 56.1 AMM _{FoNI} = 13.4
Acea Ato5	82.2	FNI = 3.9 AMM _{FoNI} = 5.2
GORI	209.7	AMM _{FoNI} = 4.4
Acque	71.2	-
Publiacqua	97.3	FNI = 2.7 AMM _{FoNI} = 10.4
AdF	111.8	AMM _{FoNI} = 11.1
Gesesa	12.9	AMM _{FoNI} = 0.2
Geal	8.6	AMM _{FoNI} = 1.1
Acea Molise	5.4	-
SII	38.0	AMM _{FoNI} = 1.1
Umbra Acque	30.7	AMM _{FoNI} = 1.2

RELATED PARTY TRANSACTIONS

ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental-water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

Acea and Acea Ato2, respectively, provide public lighting and inte-

grated water services under the terms of two thirty-year concession agreements. Further details are provided in the section "Service concession report".

In 2019, Roma Capitale and the Acea Group began a technical round table to define some previous positions regarding the services provided under water service and public lighting contracts. At present, the parties are continuing to reconcile their respective items. For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 24 of this document.

The following table shows details of the main revenues and costs at 31 December 2021 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	31/12/2021	31/12/2020
Revenues		
Supply of fresh water	41,244	41,862
Supply of electricity	94	35
Public Lighting Service contract	32,368	33,666
Public Lighting contract interest	6,338	7,000
Water maintenance service contract	170	185
Monumental fountain service contract	170	185
Costs		
Concession fee	26,337	26,333
Lease fees	111	110
Taxes and duties	2,967	3,857

Reference should be made to note 25.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2020	Collections/ Payments	Accruals 2021	31/12/2021
Receivables	192,729	(123,145)	80,837	150,421
Payables	(221,316)	155,561	(116,844)	(182,598)

ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA SpA	826	1,399	3,579	5,636
ATAC SpA	103	201	7,494	1,489
Roma Multiservizi SpA	(1)	0	0	0
Assicurazioni di Roma - Mutua Assicuratrice Romana	1	3,588	7	(2)
Total	929	5,189	11,081	7,124

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia. The following table shows the most significant amounts relating to financial relations between the Acea Group and the main entities owned by the Caltagirone Group at 31 December 2021.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	114	92	167	51

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2021. It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method, which are included in the financial statements.

List of significant related party transactions

It should be noted that no non-recurring significant transactions with related parties were carried out during the period. The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the statement of financial position € thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Financial assets	22,549	8,319	36.90%	38,781	21,156	54.60%
Trade receivables	1,071,644	51,601	4.80%	981,509	72,080	7.30%
Current financial assets	407,944	113,981	27.90%	379,859	143,097	37.70%
Trade payables	1,706,363	51,965	3.00%	1,627,119	77,230	4.70%
Borrowings	285,222	120,137	42.10%	419,822	133,714	31.90%

Impact on the income statement € thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Consolidated net revenue	3,972,044	101,556	2.6%	3,378,902	103,822	3.1%
Consolidated operating costs	2,737,018	52,416	1.9%	2,254,088	53,743	2.4%
Total Financial (costs)/income	(85,897)	7,142	(8.3%)	(88,018)	13,886	(15.8%)

Impact on the cash flow statement						
€ thousand	31/12/2021	Of which with related parties	Impact	31/12/2020	Of which with related parties	Impact
Increase in receivables included in the working capital	(184,891)	20,479	(11.1%)	25,854	27,718	107.2%
Increase/decrease in payables included in the working capital	90,810	(25,265)	(27.8%)	(174,236)	(34,089)	19.6%
Collections/payments deriving from other financial investments	1,340	41,953	3,132.0%	(1,034,008)	(16,142)	1.6%
Dividends received	7,423	7,423	100.0%	29,848	29,848	100.0%
Decrease/increase in other short-term borrowings	(146,968)	(13,577)	9.2%	(20,795)	54,098	(260.1%)
Dividends paid	(96,743)	(96,743)	100.0%	(93,212)	(93,212)	100.0%

UPDATE ON MAJOR DISPUTES AND LITIGATION

TAX ISSUES

Tax audit of SAO (now incorporated into Acea Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, *inter alia*, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of art. 14, paragraph 4-bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD SpA, with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of art. 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

The Court of Cassation with judgements no. 29153/21 and no. 29400/21, overturning completely the rulings of the Tax Commissions, cancelled the appealed judgements and sent the case back to the RTC of Umbria for a new examination of the disputes.

The cases must be resumed within the term of six months from the filing of the Court of Cassation judgements under the terms of art. 63 of Italian Legislative Decree no. 546/1992 so that the RTC can proceed to a new examination of the disputes.

In any case, it is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder (EnerTAD, now Erg Renew) will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regard-

ing the shares of the direct parent company ARIA Srl (now Acea Ambiente Srl).

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Court of Cassation with judgement no. 33284/21 of 11 November 2021, accepted the appeal presented by the Revenues Agency against the judgement of Sect. no. 4 of the Umbria RTC no. 52/04/12 of 26 March 2012, which had cancelled the measure with which the Office ordered the suspension of disbursement of the VAT rebate related to the 2003 tax period.

It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenues Agency lodged an appeal to the Court of Cassation. With judgement no. 29050/21 of 20 October 2021 the Court of Cassation rejected completely the appeal presented by the Revenues Agency.

Tax audit of areti

In the Report on Findings (PVC) concerning the general inspection for 2010, an assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.

With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With regard to the year 2013, the CTP rejected the appeal filed by the Company. The date of discussion for the notice of assessment for the year 2014 has not yet been set.

On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. With regards to the year 2011, the Regional Tax Commission, confirming the first level judgement, annulled the notification. The case is now pending with the Court of Cassation. With regards to

the year 2012, the Provincial Tax Commission annulled the notice of findings and the Revenue Agency filed an appeal against this judgement. The Company is waiting for the date to be set for the second level hearing. For the years 2013 and 2014, the PTC rejected the Company's appeal. On 23 January 2020 the Company served notice of appeal against the first instance decision related to 2013. For the year 2014 the terms for presenting an appeal are still pending.

Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand.

On 7 March 2017, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. As of today's date, a hearing to discuss this case has not yet been scheduled.

On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to art. 50-bis of Italian Decree Law 331 of 30 August 1993 ("VAT Deposits"), relating to certain assets imported by the Company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports – for 2009, 2010 and 2011 – amounting to a total of € 16,198,714.87.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Deposits, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

Tax audit of Acea Ato5

On 7 March 2018 the Guardia di Finanza - Economic and Financial Police Unit of Frosinone - Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

It is also noted that on 21 December 2018 the Court of Frosinone – section of the judge for preliminary investigations notified the Company of a decree of preventive seizure (no. 3910/2018) of the financial resources present in the Company's current accounts up to the value of € 3.6 million, charging the Company with a crime under art. 4 of Italian Legislative Decree 74/2000.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of arts. 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

Finally, it is noted that on 1 February 2019, having examined the request for review pursuant to art. 324 of the Italian code of criminal procedure proposed by the Company, the Court of Frosinone, having heard the parties in the Council Chamber at the hearing and dissolved the reservation, annulled the decree of preventive seizure issued by the examining judge and ordered the restitution of the seized property to the party entitled.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017, except for what had already been found for 2013 with the previous PVC of 25 October 2018 and partly amended.

Also in relation to this last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQ0E6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;

- notice of assessment no. TKQ0C6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of Ires assessment were served to the Parent Company Acea as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless. The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed. The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company Acea as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the Parent Company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Customs audits of Umbria Energy SpA

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.

The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.

The company promptly challenged these provisions with the relevant institutions.

In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjust-

ments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.

With regard to the deeds challenged by the Company relating to the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified. The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.

Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.

At 31 December 2021, as there are no new elements that could change the assessment of the risk inherent in the dispute in question, the provision of € 1.0 million has been kept unchanged with respect to the previous year.

OTHER ISSUES

Acea Ato5 - Injunction Order requested for credit collection on the settlement agreement of 2007 with OTAA 5

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, Acea Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the OTAA to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

Acea Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge — in an Order filed on 24 July — suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.

During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case. In sentence 304/2017, published on 28 February 2017, the civil judge revoked the injunction decree issued in 2012, rejected the subordinate re-conventional request by Acea Ato5 and ordered the deferral of the case in the preliminary proceedings concerning the

re-conventional request by the OTAA as regards the payment of the concession fees.

At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.

At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. The proceeding has been adjourned several times, with a hearing most recently set for 12 April 2022. We can also note that negotiations are underway between the parties.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 *sexies* of the code of civil procedure. The case was then further postponed after a request by the parties, to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 SpA to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- the legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not in itself determine the non-existence of the receivable.

The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA 5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the “savings on the concession fees to be paid to the

Municipalities” (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to “unspecified savings on the concession fees to be paid to Municipalities” was not considered adequate and sufficient;

- considered that there are valid and grounded reasons to grant the Operator’s request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company’s financial statements.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations “Free Monte” and “Codicci Onlus”, all the parties allegedly harmed by the facts of the crime against the defendants were admitted.

Finally, at the instigation of several civil parties, the citation of Acea Ato5 and OTA 5 Lazio Meridionale Frosinone as civilly liable was authorised. Ordered to be postponed until 18 February 2022. During the course of the hearing, Acea Ato5 was presented as the party liable under civil law, and the judge adjourned the hearing until 14 March 2022 to allow the Public Prosecutor and the civil parties to respond to the territorial jurisdiction issue put forward by the defendants’ defense.

At the hearing of 14 March 2022, the judge of the preliminary hearing rejected the question of territorial jurisdiction and adjourned the hearing to 28 March 2022 for the continuation.

Acea Ato5 - Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the OTA 5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court – detached section of Latina upheld the appeal filed by the Company against resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. In any case, the Company filed the formal documents for both disputes, for which as of today there is no information regarding the scheduling of the hearing.

Acea Ato5 - ASI Consortium

The ASI Consortium filed two injunction decrees for the reimbursement of the portion of the treatment service carried out on behalf of Acea Ato5 (case value € 14,181,770.45). The two decrees were opposed by the Company which, in turn, submitted an application for the supply of water for industrial use provided to the Consortium.

In detail (i) with reference to the case initiated following appeal no. 3895/2013 (value of the case € 7,710,946.06), on 15 May 2018 the definitive settlement agreement was signed by Consorzio ASI, Acea Ato2 and Acea Ato5; (ii) with reference to the case initiated following appeal no. 3371/2016 (value of the case € 6,470,824.39), the Judge ordered several adjournments and the next hearing was set for 2 March 2021.

At the same time, during the negotiations, the opportunity emerged to define in settlement reciprocal debit/credit positions for the 2016-2017 period, as well as the opportunity to reach the definition of a framework agreement aimed at regulating — starting from 2018 and for the future — the water supply service provided by Acea Ato5 to the ASI Consortium, as well as the sewerage and treatment service rendered by ASI for Acea Ato5, in relation to which on 9 January 2019 the related agreement was signed by the Parties.

Finally, the Parties reached an additional amicable settlement for the reciprocal receivables relative to the 2012-2017 period, applying the same criteria already adopted when concluding the *inter partes* relations for the 2004-2011 period. An integral part of the Settlement Agreement is the commitment made by Acea Ato5 to acquire, for pay, the water network owned by ASI, for an amount to be determined within the limits established in the Agreement in question, after an appraisal to be carried out by a third party hired by the OTS and without prejudice to the fact that the entire operation was subordinate to express consent from the Area Authority. On 15 March 2021, the parties signed the Agreement.

Acea Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to Acea Ato5, on 19 April 2018, the Municipality decided to “establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2-bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service “local public service without economic importance” (Municipal Council resolution no. 14 of 17 April 2019).

OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court — Latina Section — also serving the Company and the Lazio Region.

As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit and is waiting for the hearing to be set.

On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of

the Municipality’s request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree no. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

Acea Ato5 – Municipality of Anagni – Appeal to the Lazio Regional Administrative Court – Latina Section – cancellation of order to demolish treatment plant, Municipality of Anagni, San Bartolomeo district

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In addition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.

At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) — detached section of Latina — in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)

With Injunction no. 1131/13, No rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.

The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.

The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement.

Class Actions pursuant to art. 140-bis of Italian Legislative Decree 206/2005

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140-bis of Italian Legislative Decree 206 of 2005 before the Court of Rome.

This is a case to which the Company is paying the maximum attention, taking into account the specific nature of the proceeding and the circumstance that, recently, two class actions brought by users against Acqualatina and Abbanoa were judged to be admissible.

The case RG. no. 33344/2019 — which originates substantially from the Cassino No Acea Committee — was launched against the company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

The case was initially adjourned to 19 March 2020 to discuss the admissibility of the action initiated by the plaintiff parties and subsequently adjourned *ex officio*, most recently to 1 March 2021.

At the hearing on 1 March 2021 — in which the admissibility of the action was discussed — the Court granted a deadline for briefs and on 5 November 2021 the Civil Court of Rome adopted a measure with which it declared inadmissible the class action brought by the NO Acea Committee. The Committee consequently lodged an appeal before the Court of Appeal with a hearing set for 4 April 2022.

Acea SpA - SMECO

With a writ served in the autumn of 2011, Acea was summoned to court to answer for alleged damages that its alleged non-compliance with unproven and non-existent obligations that are assumed to have been part of the shareholders' agreement regarding the subsidiary A.S.A. - Acea Servizi Acqua, by its minority shareholders and their respective shareholders. The petition is for more than € 10 million.

With sentence no. 17154/15 of 17 August 2015, the Court rejected the application in its entirety and sentenced the parties jointly and severally to the reimbursement of Acea for legal expenses. On 1 October 2015, SMECO lodged an appeal to the 2nd Section of the Court of Appeal of Rome. After a number of postponements,

the hearing to clarify the conclusions was set for 3 November 2020.

With a judgement of 11 June 2021, the Court rejected completely the appeal lodged by the plaintiff, ordering the same to refund the legal expenses to Acea. The proceeding has now been concluded.

Acea SpA - Milano 90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina no. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano 90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.

Therefore, in November 2012, Acea served a garnishment order to the company Milano 90 for the forced recovery of the amounts claimed.

Milano 90 opposed the aforementioned injunction — also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages — obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano 90 to pay for the costs of the dispute.

Judgement of Appeal

On 26 April 2018, Milano 90 filed an appeal against the above judgement. As a result of the oral hearing, with an order dated 25 October 2018 the Court of Appeal rejected the request for suspension. The hearing for specification of the conclusions was most recently adjourned to 10 September 2021 and a decision is awaited.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano 90 and the third parties attached. With an order dated 11 February 2020 the enforcement judge ordered the allocation of € 6,445,687.75 plus legal costs and interest in favour of Acea.

Quite unexpectedly, following the service of the order, on 12 March 2020 the seized third party filed an appeal against the enforcement, requesting a declaration of nullity of the order for the allocation of the seized sums.

By decree dated 24 March 2020 and without a hearing, the Enforcing Judge ordered the suspension of the enforceability of the assignment order and set a hearing on 24 February 2021 to decide on whether to confirm, amend or revoke the measure. With an order of 27 December 2021 the judge, lifting the reservation previously adopted, rejected the application for suspension of the executive effectiveness of the allocation order appealed and revoked the previous decree issued *inaudita altera parte*, setting the term for the merits to 10 March 2022. The final judgements have not yet been issued.

Acea SpA - Trifoglio Srl

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Auto-parco property, which should have been paid on 22 December 2011. In consideration of Trifoglio's breach, a notice was served aimed at giving notice to sign a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file an appeal pursuant to art. 702-bis of the Code of Civil Procedure at the Court of Rome. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (Euro 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017 Trifoglio filed an appeal, with a hearing for conclusions last postponed to 9 September 2021. As of today the judgement has not been issued.

Acea SpA - Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (i.e. the assessment of the right to establish a relationship). These judgements were settled by dismissal orders — made on 2 and 10 July 2019 — of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants — who up to now have claimed the remuneration differences for lack of performance — have therefore started to work concretely starting from February 2020.

Based on the judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting payment of the wages due as a result of the established relationship and regarding different periods of accrual of the receivables.

The action for quantification proposed by the workers regarding the remuneration differences accrued between 2008 and 2014, defined with a partially unfavourable judgement handed down on 26 October 2022, is currently pending before the Rome Court of Appeal, Employment Section. The terms for appealing to the Court of Cassation against this judgement are pending.

After this unfavourable verdict Acea paid, reserving the right to a refund, the amounts due as remuneration and pension differences plus interest and monetary revaluation.

Finally, two cases of opposition to injunctions are pending; with these, two workers initiated quantification actions aimed at obtaining the remuneration and pension differences accrued between 2014 and 2019. The hearing for discussion was held on 24 January 2022 and, with a judgement issued on the same date, the request of the counterparties was accepted. The terms for appeal are pending.

Acea SpA - Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

Acea SpA and areti SpA – MP 31 Srl (formerly ARMOSIA MP Srl)

This is a challenge to the Injunction Order issued by the Court of Rome, docket no. 58515/14, issued against areti for the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.

Acea filed an appeal, served on 2 January 2018.

The appeal hearing was initially set for 16 April 2020 and then postponed to 16 June 2022.

Acea SpA and Acea Ato2 SpA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Malagrotta landfill (prov. Rome) and the executor — summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome. The hearing to clarify the conclusions was held on 22 March 2021. On this occasion, the judge, taking into account the notes filed by the parties, granted a further adjournment for the same obligations to 20 December 2021. At the hearing a further adjournment to 26 April 2022 was granted, with terms for notes and rejoinders.

Acea Ato2 SpA and Acea Ato5 SpA - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL resolution no. 56 of 6 February 2018, GRL resolution no. 129 of 20 February 2018, GRL resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 23 November 2022. A similar appeal was filed by Acea Ato5 SpA and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Acea Ato2 SpA – Parco dell'Aniene Scarl

In June 2019 the company Parco dell'Aniene Scarl sued Acea Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more

than € 105 million. The Case is currently pending before the Court of Rome and the Judge, considering initially that the claim of lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions, most recently adjourned to 15 November 2022.

At the same time, Parco dell'Aniene introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation and with an order of 29 July 2021 the Court rejected the appeal, declaring the jurisdiction of the administrative court.

Consequently, with an appeal before the Lazio RAC lodged on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio and we are waiting for the hearing to be set.

We can also note that in February 2021 the counterparty lodged an appeal pursuant to art. 700 of the Code of Civil Procedure — asking the Judge to avoid worsening the damage and to put an end to the alleged prejudicial conduct — before renouncing the same following the ruling of the Supreme Court. The precautionary proceeding was therefore declared extinguished with an order of 16 September 2021.

We can also note that on 28 June 2021 a deed of intervention of the company Immobiliare Malcesine Srl was filed in the case. This company, with the premise that it holds a stake in Parco dell'Aniene scarl, intervenes in support of the arguments of the plaintiff company.

Acea Ato2 SpA - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) — with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale — which involve Acea Ato2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With reference to both appeals — notified, respectively, on 16 and 19 September 2019 — with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation. The cases have now been defined.

Appeal filed by the Municipality of Rieti

The appeal, lodged on 16 September 2019 was completely rejected with a judgement of 11 August 2021.

Against this decision the Municipality filed an Appeal for Cassation, with hearing not yet set, and an Appeal for Rectification, with hearing set for 11 May 2022.

Acea Ato2 SpA - Enel Green Power Italia Srl

With an appeal of 27 July 2020, Enel Green Power Italia Srl (EGP) summoned Acea Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement

in effect between the parties as of 1985), for electricity which could not be produced with the Farfo 1 salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears. Acea Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus legal interest, in that it was not due from Acea Ato2.

The Investigating Judge did not order any enquiry activity and set the hearing for specification of the conclusions for 21 December 2021. After this, the hearing for discussion before the Court was set for 18 October 2022.

Acea Ato2 SpA and Acea Produzione SpA - Erg Hydro Srl

With separate appeals, notified on 10 March 2021, Erg Hydro S.r.l. summoned Acea Ato2 SpA and Acea Produzione SpA before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Peschiera and affected by the regurgitation of Nera Montoro.

The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.

Specifically, the total request in relation to Acea Ato2 is approximately € 4,500,000.00, while in relation to Acea Produzione the application lodged is for approximately € 140,000.00.

The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.

After the enquiry hearing of 16 November 2021, the Judge ordered assessment by a court-appointed expert, adjourning the case to 15 March 2022 for the said expert to be sworn in.

areti SpA - GALA SpA

The pending disputes generated by the complex matter are summarised below.

Precautionary measures

Against the enforcement of guarantees issued, on 12 April 2017 GALA filed a cautionary appeal as per art. 700 of the Code of Civil Procedure against the collection on 12 April, obtaining a decree *inaudita altera parte*, which initially prevented areti from exercising its right to collect the guarantees. This decree was thereafter revoked by court order of 30 May 2017, which fully recognised the rights of areti.

On 1 June 2017, given the continuation of the serious breach of contract, areti notified the termination of the transport contract and also the collection of the additional contractual guarantees.

On 6 June, GALA appealed against the cautionary ordinance of 30 May and, again, on 9 June, submitted a second independent appeal for urgent measures before the Court of Rome, requesting a declaration of invalidity of the termination ordered on 1 June 2017 and initially obtaining the issuing of a decree *inaudita altera parte* in its favour.

On completion of both legal proceedings, the reasoning of areti was again completely recognised, with the issuing on 12 July of a board ordinance rejecting the appeal, following which the judge, called upon to decide on the second appeal as per art. 700 of the Code of Civil Procedure, asked the parties not to appear at the hearing, declaring that the appeal could not continue by ordinance of 13 July 2017.

The first judgement filed by the guarantor Euroins Insurance Plc

In July 2017, Euroins Insurance Plc, guarantor of GALA, independently introduced assessment proceedings to have declared the non-existence of its guarantee obligation. Areti requested to have that judgement consolidated with the ordinary judgement of opposition to the injunction order of the GSE for connection (see below).

The case was taken before Section XVII of the Court of Rome and with a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay Areti the sum of € 5,000,000.00 plus legal interest from the application to payment of the balance and legal expenses.

The judgement also ordered GALA to ensure the release of the guarantor paying directly to Areti the sum of € 5,000,000.00, plus legal interest.

On 8 June 2021, GALA made spontaneously the payment of what was provided for in the judgement, paying areti SpA the total amount of € 5,058,986.30, including plus legal interest (for € 58,986.30), with reservation of encumbrance and recovery of undue payments, also in relation to the demands that are the subject of the parallel civil dispute between the said GALA and areti (Court of Rome RG no. 18333/2018).

The writ of summons in appeal on the part of GALA was served on 10 December 2021.

Following the collection by areti of the payment made by GALA, the amount of the balance related to the application in question is € 5,457,604.33, compared to an amount received from CSEA of € 5,775,679.36, with a difference therefore of € 318,075.03. This last amount, therefore, under the terms of art. 3.2 of the AR-ERA Resolution of 17 November 2020, 461/2020/R/EEL, must be returned to CSEA by 31 August 2021, recognising default interest calculated according to the provision of paragraph 48.4 of the TIT.

The injunction issued in favour of GSE SpA

GSE SpA, after notifying areti to pay the general system charges due by GALA, even if it has not been paid, requested and obtained from the Court of Rome an injunction, not immediately enforceable, against areti for payment of part of these charges. The injunction was promptly opposed by areti with a writ of summons served to GSE and inscribed in the rolls in December 2017, with the simultaneous summons, as a guarantee, of GALA and its guarantors (China Taiping Insurance (UK) Co. Ltd and Insurance Company Nadejda), the first hearing scheduled for March 2019.

Note that in July 2018, in view of access to the mechanism provided for by ARERA resolution no. 50/2018/R/EEL of 1 February 2018 for “recognition of charges that would otherwise not be recoverable for failure to collect general system charges”, areti subsequently paid the GSE the sum specified in the opposed injunction.

Consequently, the Parties agreed to abandon the case, which was therefore declared extinguished with an order of 13 May 2020.

GALA’s citation to areti, Acea Energia SpA and Acea SpA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of about € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies — Acea SpA and Acea Energia SpA — be declared acts of unfair competition, condemning them to pay the corresponding damages.

The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.

In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs.

areti SpA – Metanewpower

In November 2015, in its capacity as operator of the electricity distribution network, areti entered into a transport contract with Metanewpower, which operates in the sale of electricity to end users, a contract it repeatedly breached.

Judgement on guarantees

With summons served on 7 September 2018, Metanewpower (hereinafter also MNP) challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the final customer, claiming compensation for damages due to providing the guarantees for approximately € 2.0 million, alleging also abuse of a dominant position by the distributor areti.

In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 areti notified MNP of the termination of the transport contract.

During the court case, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million including however in the demand the amount of approximately € 11.0 million for damages from termination, requested also in the ordinary case.

After the hearing on 7 October 2020, the Judge, rejecting the counterparty’s request for a technical expert, set the hearing for conclusions for 3 March 2022. We are awaiting the filing of the concluding briefs.

Precautionary measure

With an urgent *ante causam* appeal pursuant to art. 669 bis and 700 of the Italian Criminal Code, MNP brought an action before the Court asking it to order the suspension of the effects of the termination for non-fulfilment of the transport contract ordered by areti and of the request for enforcement of the guarantee policy issued by MNP on 26 September 2018, ordering areti to restore the execution of the energy transport contract.

By order of 15 November 2018, the Investigating Judge, lifting the reservation on the outcome of the hearing of the parties, granted the precautionary measure, recognising from a marginal standpoint the violation of the distributor’s duty to cooperate despite Metanewpower’s default, each party paying their own legal expenses.

Ordinary Judgement

Following the conclusion of the precautionary phase, with a summons served on 5 December 2018, MNP instituted ordinary proceedings, contesting the validity of the contractual clauses and claiming compensation for damages due to the annulment of the termination of the contract following the aforementioned Court order. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. The first hearing was held on 4 November 2020. Specification of the conclusions was set for 7 December 2022. The judgement has not yet been issued.

Recovery of areti’s receivable from Metanewpower

On 30 May 2019, following MNP’s continuing breach, areti ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3.85 million by way of default. MNP – for the same reasons already stated – lodged an objection to the injunction. With a measure of 15 November 2021, lifting the reservation adopted on the occasion of the hearing on 3 December 2020, the judge rejected the application for concession of provisional enforcement of the decree, granting the terms for the pleadings pursuant to art. 183 of the Code of Civil Procedure and adjourning the case for the continuation to the hearing on 9 March 2022.

areti SpA - Metaenergia SpA

In October 2018, the company Metaenergia SpA, which operates in the market of electricity sales to final customers, sued the distributor Areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320 thousand, alleging also abuse of a dominant position by the distributor areti. On the occasion of filing of the preliminary pleadings the compensation requested was quantified as more than € 9.0 million.

The hearing for specification of the conclusions was held on 13 January 2021 and, after the filing of the concluding pleadings, the Court, with a measure of 11 June 2021, after remission of the case to the enquiry stage, ordered an expert’s report for ascertainment of the costs incurred by Metaenergia for providing the guarantees to cover the risk deriving from non-payment of the general system expenses collected or not collected from the final customer. After the expert’s report had been presented, the hearing for specification of the conclusions was set for 10 March 2022.

GORI SpA – Consorzio di Bonifica Integrale del Comprensorio Sarno

The Consorzio di Bonifica Sarno sued the Company to order it to pay over € 20 million in concession fees due for the use of the consortium channels used to deliver the wastewater produced in the area under the Company's management. In particular, this quantification was derived from the acts of the Consortium, which unilaterally fixed the percentage of 45% (and then 26/62% from 2013) as part of the contribution relating to the collection of wastewater pertaining to GORI. In this regard, it should be noted that, as things stand, the agreement between the Consortium and GORI has not yet been defined (and therefore stipulated), so that the request for payment due to breach of contract would appear, *prima facie*, unfounded due to the absence of a contract, which is necessary in relations with a public administration like the Consortium. Moreover, the Company also highlighted the substantial irrelevance of the "benefit" received for the use of the consortium network. Moreover, in addition to the necessary contractualisation of the relationship, it is necessary that Ente Idrico Campano – i.e. the public administration competent according to the law – provide for the coverage of the alleged costs for concession fees (once the relevant calculation methods have been defined) in the IWS tariff of the OTA 3. Moreover, such costs – qualified as "updatable operating costs" pursuant to art. 27 of Annex A to the resolution of ARERA 664/2015/R/idr – are always recognised by the local regulatory authority (i.e. Campania Water Authority) and by the national regulatory authority (i.e. ARERA). That said, the Court considered it necessary to entrust a technical consultant with the task of "quantifying any amounts owed by the defendant GORI for consortium charges in relation to what was deducted in [the Consortium's] application on the basis of such obligation and the period of reference, including distinguishing the amounts year by year", "after examining the documentation produced and taking into account what was found therein". In the course of the expert appraisals, given the impossibility of determining a "contribution" that would have to be agreed upon during negotiations, the court-appointed expert asked the parties to produce documents and calculations in order to arrive to quantify the contribution due by the Company based on a logic specified by the expert. With the objection of the Consortium's legal counsel on the production of new documents, the expert concluded the appraisal, declaring that it was not possible to answer the questions based on the documents in the record alone. However, the expert filed a report declaring that it was impossible to quantify the contribution borne by GORI in proportion to the benefit based on a methodology consistent with the legislation of reference, but did identify an amount of over € 8 million which is the tax on the collection of wastewater borne by all members "without being able to specify the amount owed by GORI" pursuant to art. 13, paragraph 5 of Italian Law 4/2003 of the Campania Region for the years 2008-2016, lacking "any measure whatsoever regarding the direct benefit obtained and the flow of water discharged by GORI". As things stand, and as the case has been adjourned for a decision, we are awaiting the outcome.

GORI SpA Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA) appealed before the Campania RAC, Naples office, the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19/2016 of 08/08/2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17/07/2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution No 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Anghi (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, No 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. In this regard, following the aforementioned Ruling No 5309 of the Council of State of 13 July 2021, the Regional Administrative Court - deeming that there was a prejudicial relationship between the contested acts and the outcome of the appeal proceedings - ordered that the proceedings continue through the submission of a new request to set a hearing once the aforementioned Ruling No 5309/2021 of the Council of State has become final.

Proceeding AGCM A/513

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA of the final order for Proceeding A/513.

With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.

In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.

Fully convinced of the illegitimacy of the measure imposed, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were accepted and, as a result, the sanction was cancelled.

With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 26 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	25,528	0	0	25,528	
Other equity investments	2,980	0	0	2,980	21
Financial assets	22,549	0	0	22,549	23
Current assets	0	71,678	1,771,875	1,843,553	
Trade receivables			1,071,644	1,071,644	25
Other current assets: fair value evaluation of differential and swap contracts on commodities	0	71,678	0	71,678	25
Current financial assets	0	0	407,944	407,944	25
Other current assets	0	0	292,288	292,288	25
Non-current liabilities	0	259,576	4,492,675	4,752,251	
Bonds	0	174,541	3,967,412	4,141,952	30
Payables to banks	0	85,035	525,263	610,298	30
Current liabilities	0	44,553	2,414,640	2,459,193	
Short-term bonds	0	0	15,945	15,945	32
Payables to banks	0	0	100,471	100,471	
Other financial payables	0	0	154,841	154,841	32
Other current liabilities: Fair value measurement of spread and swap contracts on commodities	0	44,553	0	44,553	32
Trade payables	0	0	1,706,363	1,706,363	32
Other liabilities	0	0	437,020	437,020	32

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.

It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;

- **Volume Risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA's "Guidelines for the Internal Control and Risk Management System" and the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- Every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- Every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges;

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;

- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio. .

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

The Finance Department reports to the Managers on any discrepancies noted during controls, so that all measures suitable to limiting/eliminating the risk connected with exceeding this limit, can be adopted.

The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the Report on Operations, to which reference is made.

It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-bis of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2022.

Instrument	Index	Purposes	Purchases/Sales	Fair value € thousand	Portion recognised to shareholders' equity	Portion recognised in the income statement
Swap, CFD	Energy_IT	Hedging Energy portfolio	Purchase of electricity	14,910	14,910	0
Swap, CFD	Gas_IT	Hedging Gas portfolio	Purchase of natural gas	12,215	12,215	0

The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS 13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which can be observed for the asset or liability, both directly and indirectly;
- level 3 - inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;

Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC (Non-Financial Counterparty).

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important

Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

At 31 December 2021 the Parent Company has uncommitted credit lines of € 429 million, of which € 21 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company.

Acea also has committed revolving lines for € 500 million, with an average maturity of around 1.5 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total up to € 250 million, entirely available as of 31 December 2021, with an availability period through 30 July 2023 and final maturity not to exceed 15 years after disbursement. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 270 million.

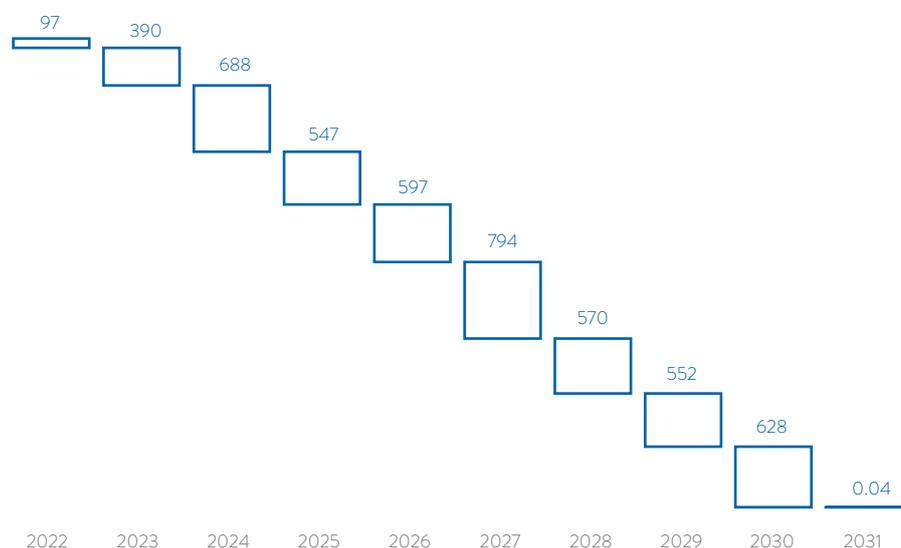
We can inform you that the EMTN Programme, resolved and established in 2014 for an initial amount of € 1.5 billion, has been adjusted over time. During 2021, it was further adjusted up to a total amount of € 5 billion. Following the bond issue in two tranches in green format of € 900 million in January 2021 and in virtue of the latest adjustment, Acea can place additional bond issues up to the total residual amount of € 1 billion.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.

Future evolution of 2022-2032

total debt maturities

€ million



Regarding the trade payables (€ 1,637.7 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,528.2 million. The amount already expired of € 109.5 million will be paid by the first quarter of 2022.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving

from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments. As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (85.7%) as at 31 December 2021, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of

the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

Currently the Group does not use derivatives to hedge interest rate risk for Acea because on 21 December 2021 the plain vanilla IRS contract, entered into on 24 April 2008 with start date on 31 March 2008, expired. This had as its underlying the fixed rate loan entered into on 27 December 2007 of € 100 million with Cassa Depositi e Prestiti, which expired on the same date. In addition, a cross currency plain vanilla swap operation is in being as of 31 December 2021 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.

The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 22.4 million (a negative € 22 million at 31 December 2020)

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A-B)	Risk adjusted FV (C)	Delta (A-C)
Bonds	4,157,897	4,403,983	(246,086)	4,328,276	(170,379)
- fixed rate	183,184	214,779	(31,596)	213,233	(30,049)
- floating rate	353,711	356,687	(2,976)	352,015	1,696
- floating rate cash flow hedge	169,074	192,971	(23,897)	190,046	(20,973)
Total	4,863,866	5,168,421	(304,555)	5,083,570	(219,705)

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+and BBB- was used. A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant

spread over the term structure of the risk-free interest rate curve. This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in Present Value € million
(1.5)%	(421.4)
(1.0)%	(284.8)
(0.5)%	(153.1)
(0.3)%	(88.9)
n.s.	0.0
0.25%	36.1
0.50%	96.9
1.00%	215.5
1.50%	330.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS 13.

Credit risk

As already indicated in the general part of the Report on Operations to which you are referred, Acea issued in July 2019 the new guidelines of the Group Credit Policy and the “Scoring and customer credit limit” procedure, which defines the methods for preventing credit risk (hereinafter “Credit Check”) on non-regulated markets.

The guidelines of the Credit Policy, of a general nature, based on the principle of decentralising the credit activities within the companies, identify, on the basis of a Governance matrix, the responsibilities of the Parent Company and those of the operating companies.

Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers of a significant amount managed by Corporate Credit through law firms identified together with the Legal Affairs Department. For the authorised companies, the Collection Unit of Administration, Finance and Control proceeds, on appointment of the same, to recovery through tax injunctions.

The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports (monthly) by segment and by company.

The following table shows the credit risk management of the main business areas of the group by number of customers/turnover.

Relative to the *areti*, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected.

Relative to the companies in the Commercial and Trading Segment, for supplies of electricity and gas on the free market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- With regard to Mass Market and Small Business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to statistically identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

We can note also that in order to anticipate potential deteriorations in the performance of collection deriving from the current energy

scenario the rates related to the loss rate of invoices to be issued were reviewed on the basis of the latest records of unpaid amounts at 24 months, interpolating, for the most recent generations of turnover, the short-term unpaid rates (3M-6M-9M-12M-24M) on the basis of the historical correlations and the related volatility. Also note that Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the free market, while receivables due from ceased customers are managed with dedicated software.

In the last two years, in-court and out-of-court recovery was strengthened, with specific reference to Legal Dispute activities, for receivables under the threshold for action through legal studies managed by the Acea Corporate Credit Unit, with a return to using services offered by market operators for the bulk recovery of receivables.

On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.

The “large-ticket” customers that have ceased to be “large-ticket” customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the Legal and Corporate Affairs Department.

Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to companies in the Water Segment, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the integrated water service in the Optimal Territorial Area, created a local monopoly in the management of this service.

These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;
- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly “financial” nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.

Legislators have taken action multiple times to adopt measures intended to limit late payments, in particular the recent resolution ARERA 311/2019/R/idr which published the REMSI provision, which contains the provisions for regulating late payments for the integrated water services (REMSI), as of 1 January 2020. This provision was subsequently amended with the resolution of 17 December 2019, 547/2019/R/idr, with resolution 26 May 2020, 186/2020/R/idr and resolution 16 June 2020, 221/2020/R/idr.

In this context, the Companies, consistent with the guidelines of the Acea Group’s credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental

presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.

Implementation of credit risk management strategies starts with a macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, these are mainly converted to cash through without-recourse factoring to financial partners, while a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements.

Management of credit relative to “private” users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of arrears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, fac-

toring and assignment to legal studies for collection of credit via the courts.

These actions are carried out with methods and schedules governed by the REMSI provision.

Note that Ministry of Economy and Finance Decrees authorise Acea Ato2, Acea Ato5 and GORI are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.

For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.

Relative to other Group Segments, (Environment Segment, Engineering and Services Segment, Business Development Strategies, Production and Overseas), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

The ageing of the Trade Receivables is as follows, gross of the allowance for doubtful accounts, detailed in Note 25.

- Total trade receivables, gross of Provision for Impairment of Receivables: € 1,622 million;
- Trade receivables due to expire: € 557 million;
- Past due trade receivables: € 1,065 million.

ANNEXES



A. LIST OF CONSOLIDATED COMPANIES

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Acea Ambiente Srl	Via G. Bruno 7 - Terni	2,224,992	100.00%	100.00%	Full
Aquaser Srl	P.le Ostiense, 2 - Rome	3,900,000	97.86%	100.00%	Full
Iseco SpA	Loc. Surpian n. 10 - 11020 Saint-Marcel (AO)	110,000	80.00%	100.00%	Full
Berg SpA	Via delle Industrie, 38 - Frosinone (FR)	844,000	60.00%	100.00%	Full
Demap Srl	Via Giotto, 13 - Beinasco (TO)	119,015	100.00%	100.00%	Full
Acque Industriali Srl	Via Bellatalla,1 - Ospedaletto (PI)	100,000	73.05%	100.00%	Full
Deco	Via Vomano, 14 - Spoltore (PE)	1,404,000	100.00%	100.00%	Full
AS Recycling	Via dei Trasporti, 14 - Carpi (MO)	1,000,000	90.00%	100.00%	Full
Ecologica Sangro	Strada Provinciale Pedemontana km 10 Frazione Contrada Cerratina - Lanciano (CH)	100,000	100.00%	100.00%	Full
Consorzio Servizi Ecologici del Frentano	Strada Provinciale Pedemontana km 10 - 66034 Frazione Cerratina - Lanciano (CH)	10,329	75.00%	100.00%	Full
MEG	Via 11 settembre, 8 - San Giovanni Illarione (VR)	10,000	60.00%	100.00%	Full
Ferrocarr. Srl	Via Vanzetti, 34 - Terni	80,000	60.00%	100.00%	Full
Cavallari Srl	Via dell'Industria, 6 - Ostra (AN)	100,000	60.00%	100.00%	Full
Commercial and Trading Segment					
Acea Energia SpA	P.le Ostiense, 2 - Rome	10,000,000	100.00%	100.00%	Full
Cesap Vendita Gas Srl	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.00%	100.00%	Full
Umbria Energy SpA	Via B. Capponi, 100 - Terni	1,000,000	50.00%	100.00%	Full
Acea Energy Management Srl	P.le Ostiense, 2 - Rome	50,000	100.00%	100.00%	Full
Acea Innovation Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Overseas Segment					
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644,937	100.00%	100.00%	Full
Aguas de San Pedro SA	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.65%	100.00%	Full
Acea International SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	9,089,661	100.00%	100.00%	Full
Acea Perú SAC	Cal. Amador Merino Reyna, 307 Miraflores - Lima	177,582	100.00%	100.00%	Full
Consorzio Acea-Acea Dominicana	Av. Las Americas - Esq. Masoneria - Ens. Ozama	67,253	100.00%	100.00%	Full
Consorzio Servicios Sur	Calle Amador Merino Reyna - San Isidro	33,834	51.00%	100.00%	Full
Consorzio Agua Azul SA	Calle Amador Merino Reina 307 - Lima - Peru	16,000,912	44.00%	100.00%	Full
Consorzio Acea	Calle Amador Merino Reina 307 - Lima - Peru	225,093	100.00%	100.00%	Full
Consorzio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Peru	0	100.00%	100.00%	Full
Consorzio Acea Lima Norte	Calle Amador Merino Reina 307 - Lima - Peru	221,273	100.00%	100.00%	Full

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Water Segment					
Acea Ato2 SpA	P.le Ostiense, 2 - Rome	362,834,320	96.46%	100.00%	Full
Acea Ato5 SpA	Viale Rome snc - Frosinone	10,330,000	98.45%	100.00%	Full
Acque Blu Arno Basso SpA	P.le Ostiense, 2 - Rome	8,000,000	76.67%	100.00%	Full
Acque Blu Fiorentina SpA	P.le Ostiense, 2 - Rome	15,153,400	75.01%	100.00%	Full
Acea Molise Srl	P.le Ostiense, 2 - Rome	100,000	100.00%	100.00%	Full
Acquedotto del Fiora SpA	Via Mameli, 10 - Grosseto	1,730,520	40.00%	100.00%	Full
Gesesa SpA	Corso Garibaldi, 8 - Benevento	534,991	57.93%	100.00%	Full
GORI SpA	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.05%	100.00%	Full
Ombrone SpA	P.le Ostiense, 2 - Rome	6,500,000	99.51%	100.00%	Full
Sarnese Vesuviano Srl	P.le Ostiense, 2 - Rome	100,000	99.16%	100.00%	Full
Umbriadue Servizi Idrici Scarl	Strada Sabbione zona ind. A72 - Terni	100,000	99.40%	100.00%	Full
AdistribuzioneGas Srl	Via L. Galvani, 17/A - 47122 Forlì	583,644	51.00%	100.00%	Full
Servizi Idrici Integrati Scpa	Via I Maggio, 65 Terni	19,536,000	40.00%	100.00%	Full
Agile Academy Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Notaresco Gas Srl	Via Padre Frasca, s.n., frazione Chieti Scalo Centro Dama	100,000	28.05%	100.00%	Full
Energy Infrastructure Segment					
Areti SpA	P.le Ostiense, 2 - Rome	345,000,000	100.00%	100.00%	Full
Generation Segment					
Acea Produzione SpA	P.le Ostiense, 2 - Rome	5,000,000	100.00%	100.00%	Full
Acea Liquidation and Litigation Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Ecogena Srl	P.le Ostiense, 2 - Rome	1,669,457	100.00%	100.00%	Full
KT 4 Srl	Viale SS Pietro e Paolo, 50 - Rome	250,000	100.00%	100.00%	Full
Solaria Real Estate Srl	Via Paolo da Cannobio, 33 - Milan	176,085	100.00%	100.00%	Full
Acea Solar Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Sun Capital Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Trinovolt Srl	Viale Tommaso Columbo, 31/D - Bari (BA)	10,000	100.00%	100.00%	Full
Marche Solar Srl	Via Achille Grandi 39 - Concordia sulla Secchia (MO)	10,000	100.00%	100.00%	Full
Fergas Solar Srl	Via Pietro Piffetti, 19 - 10143 Turin	10,000	100.00%	100.00%	Full
Euroline 3 Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
IFV Energy Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
PF Power of Future Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
JB Solar Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
M2D Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
PSL Srl	Via Ruilio, 18/20 - Catania	15,000	100.00%	100.00%	Full
Solarplant Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Green Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Acea Renewable Srl	P.le Ostiense, 2 - Rome	10,000	100.00%	100.00%	Full
Engineering and Services Segment					
Acea Elabori SpA	Via Vitorchiano - Rome	2,444,000	100.00%	100.00%	Full
SIMAM SpA	Via Cimabue, 11/2 - 60019 Senigallia (AN)	600,000	70.00%	100.00%	Full
Technologies For Water Services SpA	Via Ticino, 9 -25015 Desenzano del Garda (BS)	11,164,000	100.00%	100.00%	Full

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation	Value at 31/12/2021
Environment Segment						
Picenambiente SpA	Contrada Monte Renzo, 25 - 63074 San Benedetto del Tronto (AP)	5,500,000	21.80%	21.80%	Equity	3,088,320
Ecomed Srl	P.le Ostiense, 2 - Rome	10,000	50.00%	50.00%	Equity	0
Water Segment						
Acque SpA	Via Garigliano, 1 - Empoli	9,953,116	45.00%	45.00%	Equity	102,779,642
Acque Servizi Srl	Via Bellatalla, 1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Equity	4,871,820
Geal SpA	Viale Luporini, 1348 - Lucca	1,450,000	48.00%	48.00%	Equity	8,062,897
Intesa Aretina Scarl	Via B. Crespi, 57 - Milan	18,112,000	35.00%	35.00%	Equity	5,709,832
Nuove Acque SpA	Patrignone Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%	Equity	7,160,896
Publiacqua SpA	Via Villamagna - Florence	150,280,057	40.00%	40.00%	Equity	110,455,221
Umbra Acque SpA	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Equity	21,224,547
Engineering and Services Segment						
Ingegnerie Toscane Srl	Via Francesco de Sanctis, 49 - Florence	100,000	98.90%	44.10%	Equity	13,477,703
Visano Scarl	Via Lamarmora, 230 - 25124 Brescia	25,000	40.00%	40.00%	Equity	10,329
Generation Segment						
Belaria Srl	Via Luciano Manara, 15 - Milan	10,000	49.00%	49.00%	Equity	0
Energia SpA	Via Barberini, 28 - 00187 Rome	239,520	49.90%	49.90%	Equity	12,920,333

The following companies are also consolidated using the equity method:

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation	Value at 31/12/2021
Environment Segment						
Amea SpA	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Equity	0
Coema	P.le Ostiense, 2 - Rome	10,000	67.00%	33.50%	Equity	0
Overseas Segment						
Aguaazul Bogotá SA	Calle 82 n. 19°-34 - Bogotá - Colombia	652,361	51.00%	51.00%	Equity	1,021,990
Water Segment						
Le Soluzioni Scarl	Via Garigliano, 1 - Empoli	250,678	80.84%	51.63%	Equity	502,365
Sogea SpA	Via Mercatanti, 8 - Rieti	260,000	49.00%	49.00%	Equity	0
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 - Terni	2,120,000	15.00%	15.00%	Equity	504,885
Generation Segment						
Citelum Napoli Pubblica Illuminazione Scarl	Via Monteverdi Claudio, 11 - Milan	90,000	32.18%	32.18%	Equity	-
Sienergia SpA (in liquidation)	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%	42.08%	Equity	-
Other						
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine, 40 - Rome	10,000	33.00%	33.00%	Equity	0

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

€ thousand	Profit for the year		Shareholders' equity	
	2021	2020	31/12/2021	31/12/2020
Balances in statutory financial statements (Acea)	177,040	177,761	1,656,139	1,643,607
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	129,808	104,710	(22,138)	(100,898)
Consolidation goodwill	(17,119)	(12,187)	360,125	308,250
Accounted for using the equity method	29,872	24,550	170,084	147,817
Other changes	(6,292)	(9,886)	(40,239)	(33,947)
Balances in consolidated financial statements	313,309	284,948	2,123,971	1,964,829

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration for the office	Remuneration due			Totale
		Non-monetary Benefits	Bonuses and other incentives	Other compensation	
Board of Directors	Total	27	230	1,041	1,532
Board of Statutory Auditors	364	0	0	0	364

Key Managers

Total fees due to executives with strategic responsibilities for 2021 amounted to:

- salaries and bonuses € 863 thousand,
- non-monetary benefits € 55 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Auditing Firm

In accordance with article 149 duodecies of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PWC in 2021 are provided in the table below.

€ thousand	Audit-related service	Audit Services	Non-audit services	Total
Acea SpA	185	195	201	581
Acea Group	221	1,042	0	1,263
Total Acea SpA and Group	406	1,237	201	1,844

The services other than auditing provided to the Parent Company or its subsidiaries during 2021 are highlighted, mainly concerning

assistance in carrying out the 262/05 tests identified by the Acea Group.

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

On the basis of the recent changes on the subject of transparency in the public disbursements system pursuant to art. 1, paragraph 125, Italian Law 124/2017, it is declared that during 2021 Acea Elabori collected € 91 thousand as first tranche of a Horizon 2020 loan for the European Green Deal with PROMISCES for a total of € 378 thousand. In addition on the Group tax credits were recognised for expenses in advertising investments pursuant to art. 4 second paragraph of Italian Prime Ministerial Decree no. 90 of 2018 for a total of € 185 thousand.

It is specified that the 2021 collections deriving from green certificates, white certificates and energy accounts are not specified since they constitute a payment for supplies and services rendered. It should be noted that areti has two loans granted by Cassa Depositi e Prestiti SpA and UBI Banca SpA pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Depositi e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The debt relating to the subsidised loan as at 31 December 2021 is equal to € 1,709 thousand (€ 3,409 thousand at 31 December 2020) while the non-subsidised bank loan at 31 December 2021 is equal to € 380 thousand (€ 758 thousand at 31 December 2020).

Finally, it is useful to recall that the rules contained in article 1, paragraphs 125-129 of Italian law no. 124/2017 still present many critical issues that lead to believe that further regulatory action is desirable. Therefore, the above concerning the reported information represents the best interpretation of the law.

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- energy refers to the Commercial and Trading Segment which, from an organisational standpoint, is responsible for Acea Energia, Aema, Umbria Energy, Acea Innovation and Cesap Vendita Gas;
- generation refers to Acea Produzione, Ecogena, Acea Liquidation and Litigation, Acea Sun Capital, Acea Solar and all the Photovoltaic companies;
- energy infrastructure refers to Areti, distribution and public lighting;
- Analysis and research services refer to the Engineering and Services Segment, which, from an organisational standpoint, is responsible for Acea Elabori, TWS and SIMAM;
- Overseas refers to the Industrial Segment of the same name which, from an organisational standpoint, is responsible for operations overseas;
- Water refers to the Industrial Segment of the same name, which, from an organisational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria and the gas distribution companies operating in Abruzzo,

Environment refers to the Industrial Segment of the same name which, from an organizational standpoint, is responsible for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocart, Cavallari, Deco, Ecological Sangro and Meg.

It should be noted that the comparative figures have been reclassified for insignificant amounts for the sake of clarity.

Balance sheet Assets 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Capex	23,566	44,111	3,097	475,951	38,978
Sector assets					
Total property, plant and equipment	257,074	(2,965)	31,820	110,728	274,006
Total intangible fixed assets	36,064	189,914	37,521	3,330,395	56,341
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	6,851	402	1,524	19,642	385
Receivables from customers	87,500	221,456	7,818	525,745	32,264
Receivables from Parent Company	361	16,323	-	28,100	5,191
Receivables from associates	25	1,385	3	31	-
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet Liabilities 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Segment liabilities					
Trade payables to third parties	64,623	432,792	3,087	708,365	30,464
Trade payables to Parent Company	4,050	24,987	67	146,035	2,769
Trade payables to subsidiaries and associates	17	3,546	148	6,251	-
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	10,700	4,908	319	36,211	2,538
Other provisions	22,267	16,257	263	52,792	22,274
Provision for deferred taxes					
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
283,027	3,603	-	286,631	6,629	28,474	(468)	906,969
1,997,325	8,731	-	2,006,057	14,356	98,870	(928)	2,789,018
103,491	-	-	103,491	20,885	57,986	(386,227)	3,446,371
							276,362
							3,100
							757,372
							38,781
54,401	-	-	54,401	8,768	-	-	91,973
162,732	8,784	-	171,516	52,254	797	(165,177)	934,174
4,843	57	-	4,900	109	(35)	(16,231)	38,718
-	111	-	111	6,449	135,657	(135,044)	8,617
							267,061
							379,859
							642,209
							-
							9,673,613,917

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
322,098	5,793	-	327,890	16,895	118,327	(167,377)	1,535,067
38,597	30	-	38,627	2,148	182	(131,232)	87,634
-	9,257	-	9,257	33	3,134	(17,969)	4,417
							464,367
							419,822
40,675	-	-	43,213	5,196	21,500	-	122,047
23,884	-	-	23,884	2,246	(5,944)	22,914	156,951
							-
							405,799
							4,154,251
							-
							2,323,258
							9,673,614

Income statement 2020

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment
Revenues	200,013	1,593,022	62,351	1,180,788
Personnel costs	27,307	23,849	12,688	106,585
Purchase of electricity	4,872	1,400,338	-	62,829
Sundry costs of materials and overheads	117,492	95,812	24,384	424,600
Costs	149,671	1,519,998	37,073	594,014
Net income/(expense) from commodity risk management	-	(330)	-	-
Valuation of companies using the equity method	(7)	-	-	29,529
EBITDA	50,335	72,415	25,278	614,355
Depreciation and amortisation	30,929	60,609	13,168	304,482
Operating profit/(loss)	19,406	11,806	12,110	309,873
Financial (costs)/income				
(Expenses)/Income from equity investments	-	-	-	10,786
Profit/(loss) before tax				
Taxes				
Net profit/(loss)				

Balance sheet Assets 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Capex	36,122	49,392	4,590	522,092	39,442
Sector assets					
Total property, plant and equipment	298,039	(589)	33,583	130,783	216,625
Total intangible fixed assets	153,968	199,095	35,593	3,559,822	1,352
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	9,347	3,727	1,824	19,312	640
Receivables from customers	103,515	335,508	8,135	482,339	43,345
Receivables from Parent Company	216	14,480	-	26,110	515
Receivables from associates	4	(84)	2	170	5
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet Liabilities 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment	Generation Segment
Segment liabilities					
Trade payables to third parties	72,838	671,633	2,952	701,790	31,906
Trade payables to Parent Company	7,049	30,176	67	142,560	4,334
Trade payables to subsidiaries and associates	8	69	133	5,897	-
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,659	4,687	401	35,666	2,762
Other provisions	58,306	19,130	256	50,478	21,069
Provision for deferred taxes					
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
270,634	3,876	-	274,509	9,860	34,400	-	970,407
2,130,541	10,776	-	2,141,317	17,261	104,755	(928)	2,940,844
102,820	-	-	102,820	25,376	63,863	(377,519)	3,764,370
							292,239
							2,980
							778,671
							22,549
37,898	-	-	37,898	19,104	-	(5,446)	86,406
165,825	700	-	166,525	45,254	615	(158,228)	1,027,007
3,691	57	-	3,748	92	(27)	(10,663)	34,472
-	-	-	-	4,660	178,639	(173,231)	10,165
							411,996
							407,944
							680,820
							168,425
							10,628,886,139

Areti	Public Lighting	Adjustments	Energy Infrastructure Segment	Engineering Segment	Corporate Segment	Consolidation adjustments	Consolidated Total
178,555	10,739	-	189,294	20,557	116,406	(169,637)	1,637,739
39,666	26	-	39,692	4,552	182	(166,150)	62,462
-	8,136	-	8,136	-	3,196	(11,276)	6,163
							558,967
							285,222
39,326	-	-	42,088	5,315	20,334	-	120,150
25,707	-	-	25,707	2,222	(7,123)	23,275	193,318
							-
							409,064
							4,791,979
							47,402
							2,516,420
							10,628,886

Income statement 2021

€ thousand	Environment Segment	Energy Segment	Overseas Segment	Water Segment
Revenues	234,687	2,078,340	77,073	1,221,186
Personnel costs	30,458	23,956	20,911	113,641
Purchase of electricity	9,580	1,844,790	-	52,970
Sundry costs of materials and overheads	130,909	129,075	28,774	415,974
Costs	170,947	1,997,821	49,685	582,585
Net income/(expense) from commodity risk management	-	-	-	-
Valuation of companies using the equity method	(14)	-	-	16,695
EBITDA	63,727	80,519	27,388	655,296
Depreciation and amortisation	31,194	65,939	10,982	347,636
Operating profit/(loss)	32,533	14,580	16,407	307,660
Financial (costs)/income				
(Expenses)/Income from equity investments	191	-	2,592	4,743
Profit/(loss) before tax				
Taxes				
Net profit/(loss)				



Independent auditor's report

*In accordance with article 14 of Legislative Decree No. 39 of 27 January 2010
and article 10 of Regulation (EU) No. 537/2014*

Acea SpA

***Consolidated Financial Statements
as of 31 December 2021***



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Acea SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Acea Group, (the Group), which comprise consolidated statement of financial position as of 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity for the year then ended, consolidated cash flows statement and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Acea SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw your attention to paragraph "Trend of operating segments – Operating Segments - Water" of the report on operations and to paragraphs "Goodwill" and "Service Concession Arrangements" of the notes which describe:

- the fact that actions are under consideration by Acea SpA that aim at securing the subsidiary

PricewaterhouseCoopers SpA

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Acea Ato5 SpA from the financial imbalance arisen following the Area Authority's approval of the 2020-2023 tariff structure which highlighted material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going-concern, as well as the uncertainties related to said company connected with (i) the ongoing tax litigation and (ii) the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the 2016-2019 and 2020-2023 tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water tariffs.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Determination of revenue from sales and services and receivables for invoices to be issued

Note 1 "Revenue from sales and services" and note 25.b "Trade receivables" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 receivables from users for invoices to be issued for an amount equal to Euro 503 million compared to revenue from sales and services amounting to Euro 3,816 million.

The Group recognises revenue from sales and services when control of the good is actually transferred or when a service is rendered in accordance with the requirements of IFRS 15 "Revenue from contracts with customers".

In particular:

The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the calculation of tariffs and the valuation of invoices and receipts, as well as the related disclosure provided by the directors.

Moreover, we performed the following specific substantive tests for each type of revenue.



<p>i) Revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars.</p>	<p>i) <u>Revenues from the sale and transport of electricity and gas</u></p> <ul style="list-style-type: none"> We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed;
<p>ii) Revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment (“ARERA”). Moreover, if the admission of investments in tariffs that establishes the operator’s right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA Resolution 654/2015 (the so-called regulatory lag).</p>	<ul style="list-style-type: none"> We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis. <p>ii) <u>Revenues from electricity distribution</u></p> <ul style="list-style-type: none"> We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced;
<p>iii) Revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator's Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.</p>	<ul style="list-style-type: none"> We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis; We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA; We verified the consistency of the methods followed to determine the accruals for the “regulatory lag”.
<p>The methods to determine allocations for invoices to be issued are based on the use of complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.</p>	<p>iii) <u>Revenues from the integrated water service</u></p> <ul style="list-style-type: none"> We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred; We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between



revenues for bills issued /to be issued
and the adjusted GRC.

Investments and disinvestments of non-current assets and impairment test

Note 14 “Tangible fixed assets”, note 16 “Goodwill”, note 17 “Concessions and rights on infrastructure” and note 18 “Intangible fixed assets” to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 non-current assets equal to Euro 6,705 million, of which Euro 2,938 million related to tangible assets, Euro 3,701 million related to intangible assets (including concessions and goodwill).

The Group investments in the period totalled Euro 998 million, of which Euro 355 million related to tangible assets and Euro 643 million related to intangible assets (including concessions and goodwill).

In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group’s revenues are directly influenced by the amount of the invested capital and therefore by changes in non-current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the tariffs applied to final users under the performance of the integrated water service and the transport of electricity.

Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 “*Impairment of assets*” using the Discounted Cash Flow method to determine the recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of the Group’s industrial plants and a second level relates to the estimate of the recoverable amount of the CGUs that include goodwill. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a

We addressed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our substantive tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with the supporting documentation about a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 “*Property, plant and equipment*” and IAS 38 “*Intangible assets*” had been complied with, we checked the existence of the services capitalized, that is if the service or goods being verified had been actually rendered or delivered/installed and correctly recognised.

With reference to the impairment test, we addressed our audit procedures in order to:

- i) assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice,
- ii) verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure,
- iii) verify the appropriateness of the types of cash flows used and their consistency with the Group’s Industrial Plan;
- iv) verify the reasonableness of the main



specific internal policy, the impairment test is carried out on the Group's industrial plants, also without any impairment indicators. The recoverability assessment was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of Directors on 27 October 2020 and updated to take account of the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to FY2021 the Company's management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the complexity of estimating the recoverable value of the above-mentioned assets, which are based on evaluation assumptions affected by economic, financial and market conditions that are difficult to predict, as part of our auditing we devoted special attention to this financial statement area.

assumptions used by management to perform the impairment test and related sensitivity analyses on all the CGUs, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto; and evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing we were supported, where necessary, by our PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Determination of the provision for doubtful accounts – trade receivables

Note 25.b "Trade receivables" of the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2021 a provision for doubtful trade accounts for an amount equal to Euro 595 million.

At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 "Financial Instruments".

The estimate of the recoverability of trade receivables is characterised by a specific complexity related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers, in addition to geo-political

We addressed our audit procedures in order to verify the correctness of the reports generated by the information systems and used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model.

Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions by analysing the lawyers' replies to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date.

Finally, we verified the consistency of the method used by the Company with the provisions of IFRS 9 and the accuracy of the



factors. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.

mathematical calculation for the determination of the expected credit losses, as well as the related disclosure provided by the directors.

Business combinations

“Business combinations” section of the consolidated financial statements

During 2021, the Group continued the acquisition process started in the last quarter of 2019. In detail, seven companies were acquired in FY 2021, four of which in the Generation business segment and three in the Environment business segment. Control of the aforesaid companies, recognised in accordance with IFRS 3 “Business combinations”, was obtained through the acquisition of the majority of the capital shares.

The allocation of the price paid required a significant estimation process considering the assumptions used to determine the fair value of the acquired assets and liabilities. For such matters, the directors were supported, when deemed necessary, by external experts.

Due to the number of acquisitions and the complex issues underlying the related measurement and recognition process, we paid particular attention to such financial statement matter.

We addressed our audit procedures in order to verify the methodological correctness of the accounting process underlying the acquisitions.

Furthermore, we verified that assets and liabilities were appropriately identified as well as the reasonableness of the assumptions underlying the directors’ estimates to determine the related fair value and the allocation of the price paid.

We evaluated the independence, technical capabilities and the objectivity of the external experts involved, as well as the methods used by them.

As part of our audit activities, we availed ourselves, where necessary, of the support of the PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors with reference to the business combinations performed and the related financial statement items.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group’s ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend



to liquidate the parent company Acea SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.



We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.



Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Acea Group as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 6 April 2022

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

(in accordance with art. 154-bis of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Giuseppe Gola, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea SpA, taking also account of provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
 - the consistency to the business characteristics and
 - the effective applicationof the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2021.
2. To this purpose, no significant issues were recorded.
3. It is also certified that:
 - 3.1 the consolidated financial statements:
 - a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
 - b) are consistent with the underlying accounting books and records,
 - c) provide a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,
 - 3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 06 April 2022

signed by:

Giuseppe Gola, the CEO

signed by:

Fabio Paris, the Executive Responsible
for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers



4

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE





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GLOSSARY

Chief Executive Officer/CEO: highest-ranking executive responsible for the management of the business.

Corporate Governance Code/CG Code: the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

Civil Code: the Italian Civil Code.

CG Committee/Corporate Governance Committee: The Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria.

CRC: Control and Risks Committee.

ARC: Appointments and Remuneration Committee

Board of Directors/Board/BoD: the Issuer's Board of Directors.

ER/Executive Responsible: Financial Reporting Officer.

Issuer: the issuer of securities to which the Report refers.

Financial year: the financial year to which the Report refers.

MOG: Organisation, management and control model pursuant to Italian Legislative Decree 231/2001.

SB: Supervisory Body.

Consob Issuers Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

Consob Markets Regulation: the Regulation issued by Consob with resolution no. 20249 of 2017 regarding markets.

RPT Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties.

Report: the report on corporate governance and ownership structure that companies are required to prepare and publish pursuant to art. 123-*bis* of the TUF.

Report on remuneration: the report on the remuneration policy and on the fees paid that companies are required to prepare and publish pursuant to art. 123-*ter* of the Consolidated Law on Finance (TUF) and 84-*quater* of the Consob Issuers' Regulation.

SCIGR/Control System: internal control and risk management system.

Articles of Association: the Issuer's Articles of Association.

Consolidated Law on Finance/TUF: Italian Legislative Decree 58 of 24 February 1998.

1. THE ISSUER'S PROFILE

Acea, a company listed on the online stock market organised and managed by Borsa Italiana SpA since 1999, is a leading Italian multi-utility company that has been operating for more than a century in the sectors of energy (from the generation, distribution and sale of electricity and gas to the management of public lighting and value-added smart city services), integrated water services (from capture and distribution to purification) and environmental services (the treatment and economic management of waste), adopting a circular economy approach.

Acea has always been conscious of the principles of corporate responsibility and bases its business activities on the principles of sustainable development, according to which the need to ensure economic efficiency and generate long-term value for shareholders represent the result of a business approach centred on environmental protection, the mitigation of negative externalities, the promotion of social development among the communities we serve and a focus towards other important stakeholders.

Acea promotes the integration of industrial growth and sustainability in its strategic objectives, and inspires its management to contribute to these targets through a remuneration policy that includes variable short and long-term incentive schemes based on the achievement of quantitative sustainability targets (for more details, please refer to paragraph 8 of this Report), which are also considered when allocating dividends from Green Bonds.

Acea pursues sustainable performance through the use of consistent organisational, procedural and cultural tools: the company has established an internal Ethics and Sustainability Committee (for more details, see paragraph 9 of this report), and procedures have been implemented to monitor sustainability targets and activity classifications, including in relation to recent European legislation (European Taxonomy for Sustainable Activities). Furthermore, procedures have been adopted to facilitate engagement with significant stakeholders (for more details, see paragraph 13 of this Report) and the company constantly promotes the integration of sustainability into its corporate ecosystem through initiatives aimed at Acea personnel, training and management culture programmes, and strategic analysis. With regard to the risk factors that may impact the generation of long-term value, the Company has launched a study to explore the relationship between ERM logics and methods and the most relevant sustainability topics.

Acea has progressively been awarded positive ratings by accredited external bodies, ratings agencies and benchmark providers, in recognition of the company's corporate management oriented towards sustainable success across various integrated dimensions, as well as on an economic, social and environmental level.

According to the most recent data, to date the Acea Group is the leading national operator in the water sector for inhabitants served, one of the major Italian operators in the distribution of electricity to users (the third for volumes distributed), the third operator for energy volumes sold to end users, and the sixth national operator in Waste-to-Energy (environmental sector).

This Report illustrates the corporate governance system adopted by Acea and is published in line with the principles and recommendation of the Code, as well as the recommendations provided by Consob on the subject and, more generally, international best practices, also with regard to the ninth edition of the "Format for the Report on Corporate Governance and Shareholding Structure" published by Borsa Italiana in January 2022¹.

Acea regularly publishes a Consolidated Non-financial Statement pursuant to Italian Legislative Decree no. 254 of 2016, prepared with the maximum level of adoption ("comprehensive") of the GRI standards. This document is available on the Company website, www.gruppo.acea.it, in the "Governance" section.

The governance system adopted by the Company is in line with the recommendations which, in order to ensure proportionality, the Code has introduced for large businesses and those with concentrated ownership, with the exception of the board evaluation activities pursuant to recommendation 22, which Acea currently conducts on an annual basis. For more information on board evaluation activities please refer to paragraph 7.1 of this Report.

THE GOVERNANCE MODEL

Acea has adopted a traditional corporate governance model according to the definition provided by Italian law, which comprises the following bodies: the Shareholders' Meeting which, for the topics within its jurisdiction, passes resolutions that represent the shareholders' wishes; the Board of Directors (composed of 9 members), which is responsible for the strategic supervision of the pursuit of the corporate purpose and the management of major operators, while operational management is entrusted to the Chief Executive Officer, who transfers it to the rest of the organisation through the system of delegates and proxies; and the Board of Statutory Auditors, responsible for ensuring compliance with the law, the Articles of Association and the principles of sound administration, and the adequacy and operation of the organisational, administrative and accounting structure. The statutory audit of the accounts is entrusted to an independent auditing firm (*PricewaterhouseCoopers SpA*) listed on the specific register of qualified auditors, appointed by the Shareholders' Meeting by a grounded proposal of the Board of Statutory Auditors.

The Supervisory Body, pursuant to Italian Legislative Decree 231/01, is appointed by the Board of Directors.

In the context of the traditional model, Acea's corporate governance system is based on the following key pillars:

- the central role of the Board;
- the correct management of conflicts of interest;
- transparent communication of corporate management decisions;
- the efficacy and efficiency of the SCIGR.

¹ The format recommended by Borsa Italiana format is available at the following web address: www.borsaitaliana.it/Comitato-corporate-governance/documenti/format2022.pdf.

This system complies with the applicable law and the principles enshrined in the Code, and is based on national and international best practices.

The composition, appointment and methods of operation of the corporate bodies are regulated by law, by the Articles of Association, by the BoD's regulation, by the regulations of the committees

and by the resolutions adopted by the competent bodies, as well as by the principles and criteria enshrined in the Code, adopted by the company since its foundation in 1999.

The information contained herein refers to financial year 2021 and, in relation to specific subjects, is updated as at 14/03/2022, the date of the Board of Directors' meeting which approved this Report.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (ART. 123-BIS TUF, PARAGRAPH 1)

A. STRUCTURE OF THE SHARE CAPITAL (AS PER ART. 123-BIS TUF, PARA. 1 LETT. A)

The Company's capital, equal to €1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the online stock market organised and managed by Borsa Italiana (see Table 1). There are no shares with limited voting rights or without voting rights, except 416,993 treasury shares for which the voting right is suspended pursuant to art. 2357-ter of the Civil Code.

B. RESTRICTIONS ON SHARE TRANSFERS (AS PER ART. 123-BIS TUF, PARA. 1 LETT. B)

There are no restrictions on share transfers except for individual constraints of the single shareholders.

C. RELEVANT STAKES (AS PER ART. 123-BIS TUF, PARA. 1 LETT. C)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the TUF, according to the information published on 14/03/2022 on the Consob website and the communications made in compliance with the same article, are listed in *Table 1*.

D. SHARES BEARING SPECIAL RIGHTS (AS PER ART. 123-BIS TUF, PARA. 1 LETT. D)

The Articles of Association do not provide for the issue of multiple voting shares or shares with increased voting rights. No shares bearing special controlling rights have been issued.

E. STAKES HELD BY EMPLOYEES: THE VOTING RIGHTS EXERCISE MECHANISM (ART. 123-BIS TUF, PARA. 1 LETT. E)

Art. 13 of the Articles of Association states that, to facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies.

There are no particular mechanisms for exercising rights.

F. RESTRICTIONS ON VOTING RIGHTS (AS PER ART. 123-BIS TUF, PARA. 1 LETT. F)

Under art. 6 of the Articles of Association, with the sole exception of Roma Capitale, any shareholder whose stake exceeds 8% of the share capital must be disclosed to the Company. This limit is considered as reached, in both direct and indirect terms, as specified in more detail in paragraphs 2 and 3 of the said article and as described in the paragraph on Shareholders' Meetings of this Report. In the case of breach of this rule, the exercise of the vote for the shares exceeding the said limit will be prohibited and, in the case of a resolution by a determining vote deriving from the shares exceeding said limit, the resolution may be challenged pursuant to and according to the methods defined in art. 2377 of the Italian Civil Code.

G. SHAREHOLDERS' AGREEMENTS (AS PER ART. 123-BIS TUF, PARA. 1 LETT. G)

The Company is not aware of any shareholders' agreements of any kind, as contemplated under art. 122 of the TUF, nor of any special powers of veto or of any other extraordinary influence on the decisions that are not direct expressions of the shares held.

H. CHANGE OF CONTROL CLAUSES (PURSUANT TO ART. 123-BIS OF THE TUF, PAR. 1, LETT. H) AND ARTICLES OF ASSOCIATION PROVISIONS ON TAKEOVERS (PURSUANT TO ART. 104, PARA. 1-TER AND 104-BIS, PAR. 1)

Acea has signed a number of significant agreements which become effective or are annulled in the case of a change of control for the contracting company.

Following are the significant agreements in place where the change of control involves the initiation of a negotiation procedure, where (a) the occurrence of such a case is disclosed, (b) the parties consult within a defined time frame to assess possible mitigations to any adverse effects of the change of control, and (c) if the outcome of the consultations is negative, the bank may request early repayment:

- Long term loan totalling an initial € 100 million from CDP (Cassa Depositi e Prestiti);
- Long term loan totalling an initial € 150 million from the European Investment Bank (Water segment);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea SpA (Water segment II);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea SpA (Network Efficiency III);
- Long term loan totalling € 250 million from the European Investment Bank in favour of Acea SpA (Water segment III), not yet disbursed as at 31 December 2021;
- Revolving Credit Facility for a total of € 350 million in favour of Acea SpA, not disbursed as at 31 December 2021.

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs 1 and 1-bis, of the TUF, nor provide for the application of the neutralisation rules contained in art. 104-bis, para. 2 and 3 of the TUF.

I. DELEGATIONS FOR CAPITAL INCREASES PURSUANT TO ART. 2443 OF THE CIVIL CODE OR THE DIRECTORS' POWER TO ISSUE FINANCIAL INSTRUMENTS AND AUTHORISATION FOR THE PURCHASE OF TREASURY SHARES (ART. 123-BIS TUF, PARA. 1 LETT. M)

As at 31 December 2021 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

Additionally, as stated, the Company presently holds 416,993 treasury shares for which voting rights are suspended, pursuant to art. 2357-ter of the Civil Code, the remaining treasury shares authorised by an Ordinary Shareholders' Meeting resolution of 23 October 1999, amended by an Ordinary Shareholders' Meeting resolution of 29 April 2000, renewed by an Ordinary Shareholders' Meeting resolution of 31 October 2001 and with the additions inserted by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

J. MANAGEMENT AND COORDINATION (PURSUANT TO ART. 2497 AND SUBSEQUENT, CIVIL CODE)

The Company is not subject to management and coordination activities pursuant to art. 2497 *et seq.* of the Italian Civil Code.

Pursuant to art. 16, paragraph 4 of the Markets Regulation, please note that Acea defines its own strategic guidelines and has full control of organisation, management and negotiation.

It must be noted that:

- the information required by art. 123-bis, para. 1, lett. i) ("*agreements between the Company and the directors...which provide for indemnity in the case of resignation or dismissal without just cause or if their professional relationship ceases subsequent to a takeover*") is contained in the Report on remuneration policy and compensation paid published pursuant to art. 123-ter of the TUF;
- the information required by art. 123-bis, para. 1, lett. l) ("*regulations applicable to the appointment and replacement of directors ... as well as to amendments to the Articles of Association, if different from the legal and regulatory rules applicable*") are illustrated in the section of the Report on the Board of Directors (paragraph 4 of this Report);
- the information required by art. 123-bis, para. 1, letter l, second section ("*regulations applicable... to the amendment of the Articles of Association, if different from the applicable legal and regulatory rules*") is illustrated in the section dedicated to the Shareholders' Meeting (paragraph 14) of this Report.

3. COMPLIANCE (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. A), TUF)

On 16 December 2020, the Board of Directors of Acea voted in favour of the adoption of the new Code, the recommendations of which came into force on 1 January 2021.

Acea applies the prescriptions of the Code, which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies. The Code contains highly innovative principles and institutions which, in order to be correctly implemented, must be adopted gradually.

The complete text of the Code is available to the public on the Borsa Italiana website www.borsaitaliana.it/Comitato-corporate-governance/codice/2020.pdf.

The Company provides information annually on its governance system and on its adherence to the Code by means of a Report, drawn up also pursuant to art. 123-bis of the TUF, which shows the degree

of adherence to the principles and recommendations established by the Code itself and to international best practices.

The yearly Report is made available to the Shareholders, together with the documentation required for the Shareholders' Meeting called to approve the financial statements, and it is also immediately published on the Company's Internet site (www.gruppo.acea.it) in the "Governance" section.

Information regarding the application of the remuneration recommendations is based on the 2022 Report on the Remuneration Policy and on the fees paid in 2021, prepared pursuant to art. 123-ter of the TUF, published in accordance with the law.

Acea and its subsidiaries with strategic importance are not subject to any non-Italian legal provisions that may influence the corporate governance of the organisation.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Company's Board of Directors holds a central role in the sphere of the Company's governance, and all the departments and the managers of the Company and of the Group with strategic and organisational responsibilities report to the Board of Directors, in line with the pursuit of sustainable performance. Taking its role into account, the Board of Directors meets regularly, to guarantee the effective performance of its duties.

More specifically, based on provisions provided by law, by the Articles of Association, by the Board resolutions that regulate the structure of powers of corporate bodies, and by the guidelines of the Internal Control and Risk Management System (hereinafter "Guidelines") last updated on 22 January 2020, the duties listed below are reserved to the Board of Directors:

- define strategic and general management guidelines and steer the Company's development; economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets;
- by proposal of the Control and Risks Committee, define the guidelines of the Internal Control and Risk Management System so that the main risks concerning Acea and its subsidiaries – including the various risks that can become relevant in the light of sustainability over the medium-long term period – are correctly identified and adequately measured, managed and monitored;
- define the nature and level of risk compatible with the identified strategic objectives;
- approve and amend the internal regulations concerning the general organisational structure of the Company – including the code of conduct on internal dealing – the Group's macrostructure and any amendments to the same that have a significant impact on the Group's organisation;
- appoint the General Manager if deemed appropriate;
- define the corporate governance system and see to the establishment of specific internal committees, for which it appoints the members and approves the respective operating rules;
- adopt the organisational model pursuant to Italian Legislative Decree no. 231/2001, appoint the Supervisory Body and examine the half-yearly reports prepared by the SB on implementation of the MOG;
- appoint the directors and statutory auditors due to Acea at significant subsidiaries and investees, understood to be (i) those listed on regulated markets and (ii) those which require commitments of capital, shareholder loans or guarantees exceeding € 10 million;
- attribute and revoke delegations to the delegated directors, defining the limits and procedures of their exercise;
- approve all extraordinary operations, as well as the acquisition/disposal of shares, excluding intragroup transactions;
- exercise, on behalf of Acea and its subsidiaries, powers for amounts exceeding € 7.5 million if in line with the budget, and above € 1 million for off-budget expenditure for a series of significant operations;
- determine the remuneration of the Chairperson, Chief Executive Officer and other Directors with specific duties, upon a proposal by the relevant committee and after hearing from the Board of Statutory Auditors, as well as the remuneration due to the members of Board of Directors committees and remuneration of executives with strategic responsibilities, except for cases in which this latter has been approved by the Appointment and Remuneration Committee;
- define the Guidelines, after hearing from the Control and Risks Committee, whose responsibilities are illustrated in paragraph 9 of this Report, so that the main risks relative to Acea and the main Group companies are properly identified, measured, managed and monitored;
- evaluate the adequacy of Acea's organisational, administrative and accounting structure, as well as that of subsidiaries with strategic relevance, particularly with reference to SCIGR;
- assess the general business performance (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- appoint and revoke:
 - the Internal Audit Function Manager, subject to the favourable opinion of the CRC and by proposal of the Director responsible for the SCIGR, and having consulted with the Board of Statutory Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
 - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, by the favourable opinion of the Board of Statutory Auditors (as per art. 22-ter of the Articles of Association), ensuring the adequacy of their powers and means for the performance of their duties;
- approve the Audit Department Manager's work plan on an annual basis, having consulted with the Control and Risk Committee, the Board of Statutory Auditors and the SCIGR appointed Director;
- assess, having consulted with the Board of Statutory Auditors, the results found by the independent auditor contained in the letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
- assess, at least once every year, the adequacy of the SCIGR in consideration of the Company's characteristics and risk profile, describe its main characteristics in the Report on Corporate Governance, expressing its opinion on adequacy of the same, after hearing from the Control and Risks Committee;
- establish corporate measures of protection for the processing of personal or sensitive data by third parties;
- adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace;
- act so as to establish continuous dialogue with shareholders, based on understanding of the reciprocal roles;
- promote initiatives to support the widest possible participation of shareholders at Shareholders' Meetings and to make the exercising of voting rights easy;

- adopt the procedures for the internal management and the external disclosure of documents and information regarding the Company, especially price sensitive information and information relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- carry out self-assessment at least once a year on the functioning of the Board itself and of its committees, and on their size and composition;
- assess, at least once a year, the independence of its non-executive members.

A summary of the main activities carried out by the Board of Directors of the Company in 2021 is given below. In particular, the Board:

- assessed the general business trend as representing in its financial reporting (the draft financial statements of the period as at 31 December 2020; the six-monthly interim financial report; the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those forecast;
- resolved on the organisational amendments to the macrostructure of Acea;
- approved the remuneration policy of the Company, which includes variable short and long-term incentive schemes based on quantitative sustainability targets;
- approved the Policy for the management of relations with institutional investors, shareholders and bondholders of Acea; for more information, see paragraph 13 of this Report;
- authorised, between the end of financial year 2020 and the start of financial year 2021, the issue of a Green Bond, traded on the regulated market of the Luxembourg Stock Exchange;
- approved the Sustainability Report/Consolidated Non-Financial Disclosure for 2021, pursuant to Italian Legislative Decree no. 254/2016;
- adopted the “Group Regulatory System” Governance Guidelines which define the universal governance Regulatory System for Acea and its subsidiaries, structuring the types of legislative tool by hierarchical classification;
- approved a Group Regulation that aims to define the general guidelines for governance relations between Acea and the subsidiaries subject to management and coordination activities pursuant to art. 2497 *et seq.* of the Italian Civil Code;
- having consulted with the Board of Statutory Auditors, evaluated the results presented by the independent auditor in the letter of recommendations and the supplementary report addressed to the Board of Statutory Auditors.

On 14/03/2022, the Board of Directors:

- assessed the adequacy of the Internal Control and Risks Management System and the adequacy of the Company’s organisational, administrative and accounting framework and that of its strategically relevant subsidiaries, deeming the Acea Control System, as a whole, to be functioning, suitable and consistent with the current guidelines for the internal control and risk management system;

- proceeded, as an integral part of this process, with the self-evaluation of the composition and functioning of the Board and its internal Committees. This self-evaluation regarded the Board of Directors’ independence, structure and composition, the functioning of the Board and of its committees, and the information flows received by the Board and its committees in the performance of their duties. For the execution of the assessment tasks, the Board of Directors consulted a company specialised in the sector, as illustrated in paragraph 7.1 of this Report.

4.2 APPOINTMENT AND REPLACEMENT (ART. 123-BIS, PARA. 1, LETT. L, TUF)

Appointment of the Board of Directors

Directors are appointed and replaced in compliance with the laws in force, as adopted and integrated, within the limits allowed, by the provisions of the Articles of Association.

According to the provisions of the Company’s Articles of Association, the Board of Directors is composed of no less than five and no more than nine members, appointed by the Ordinary Shareholders’ Meeting (which determines the number within those limits) for a term equal to three financial years and they may be re-elected on expiry of their mandate.

Directorships can only be held by those with the requisites laid down by law and by the regulatory provisions.

Directors are elected as described in art. 15.1 of the Articles of Association, which establishes that:

- gender balance must be ensured in the composition of the Board of Directors, as governed by law²;
- the directors are elected on the basis of lists, each of which contains as many candidates, each indicated by a progressive number, as the number of directors to be elected, and each list must have at least two candidates qualified as independent as contemplated by law, one of which must be first or second on the list and the other must be within the first four on the list;
- the election is carried out as follows:

A. from the list that has obtained the majority of votes (hereinafter, for brevity, the “Majority List”), half plus one of the directors to be elected, rounded down to the nearest whole number in the case of a fractioned number, will be chosen in the progressive order in which they are placed on the said list;

B. without prejudice to the rulings of law and the provisions of the Articles of Association on the limits to the connection with the Majority List, the remaining directors will be taken from the other lists. For this purpose, the votes obtained by the said lists will be divided, within the sphere of each list, by 1, 2, 4 and 8 and so on, up to the number of directors to be elected. The ratios thus obtained will be progressively assigned to the candidates of said lists, according to progressive order by which they are indicated. The ratios thus attributed to the candidates of the various lists will be placed in a single classification in decreasing order. Those with the highest ratios will be elected.

² Please note that Law no. 160 of 27 December 2019 (“Budget Law 2020”) amended the provisions of art. 147-ter and 148 of the TUF regarding gender balance in the corporate bodies of listed companies, requiring that at least two fifths (40%) of the positions be reserved for the least-represented gender. This new criteria is effective from the first renewal of the management and control bodies after the entry into force of the Budget Law 2020 on 1 January 2020, for six consecutive mandates.

If several candidates have obtained the same ratio, the candidate elected will be that on the list of which no director is otherwise elected or the list with the lowest number of elected directors.

If no director is elected from such lists or if the same number of directors is elected from such lists, the candidate elected will be the one that has obtained the highest number of votes. In the case of parity between the list votes and of parity of ratios, the entire Shareholders' Meeting will vote again and the candidate with the simple majority of votes will be elected.

In any case, if a correctly drawn up list is presented in addition to the Majority List, the candidates of such a list will be elected according to the order of presentation”.

The adopted election mechanism guarantees that at least one director represents the minorities and that the legally required minimum number of independent directors is elected (one in the case of a Board of Directors with no more than seven members, two if there are more than seven members) in compliance with art. 147-ter, paragraph 4, TUF. In fact, art. 15 of the Articles of Association establishes that the Board of Directors must contain a minimum number of directors holding the independence requirements established under the law, applicable regulations and the Code, as well as those established from time to time by current legislation.

The appointment of the Board of Directors is regulated by art. 15 of the Articles of Association, according to which members are appointed on the basis of the lists presented at least twenty or twenty-five days before the date set for the first meeting respectively by the outgoing Directors or by Shareholders who — individually or together with other Shareholders — represent, at the date on which the lists are filed — at least 1% of the shares with voting rights in the Shareholders' Meeting, or the minimum portion of the share capital determined by Consob pursuant to art. 144-quater of the Issuers' Regulation. In this regard, please note that the portion requested by Consob under Executive Determination no. 60 of 28 January 2022, for the presentation of the lists is 1%.

The lists will be made public at the Company's headquarters and announced in three national newspapers, two of which are financial publications, as well as according to the various methods indicated by applicable law.

No candidate may be on more than one list and no shareholder may vote for more than one list.

For information on the role of the Board of Directors and the advisory committees in the processes of self-evaluation and the succession of directors, please refer to paragraph 7 of this Report.

Termination of office of Director

Pursuant to art. 15.3 of the Articles of Association: *If a director appointed on the basis of the above-mentioned list vote leaves office, the Board of Directors will provide for his replacement by the co-option, pursuant to art. 2386 of the Civil Code, with the first candidate not elected on the list on which the outgoing director was a candidate, in respect of the legal provisions on gender balance, or, if that list has no more candidates, with the first of the non-elected candidates regardless of the relative list; however, if the outgoing director is not on the Majority List, the absence of connection with the Majority List must be respected. If the outgoing director had the requisites of independence and/or belonged to the less represented gender and the number*

of independent directors and/or those of the less represented gender consequently fall below the minimum number required by law, the first non-elected candidate of the list of the outgoing director with the requisites of independence required by law and/or of the less represented gender will be appointed. Directors thus appointed will remain in office until the next Shareholders' Meeting”.

Replacement of Director

Pursuant to art. 15.4 of the Articles of Association: *“If a director leaves office during the financial period, the Shareholders' Meeting, by a relative majority vote, will elect his replacement, as far as possible in respect of the rules in force on independence and gender balance, from the non-elected candidates on the same list as that of the outgoing director. The newly appointed director must have provided, at least ten days before the date scheduled for the Meeting, written confirmation of his candidature as well as the declarations that no reasons exist for his ineligibility or incompatibility and that he holds the requisites prescribed for the office by the laws in force and the Articles of Association.*

If this replacement procedure is not possible, a resolution must be passed by a relative majority vote, always in respect of the representation of the minorities and the minimum number of independent directors.

A director thus appointed will remain in office until the expiry of the term of office of the other directors.

If, for any reason, the number of Board Directors falls below half the established number, the entire Board of Directors will fall from office and the Shareholders' Meeting must be summoned immediately for its reconstitution. However, the Board of Directors will remain in office for the execution of acts of ordinary administration until the Shareholders' Meeting has resolved on its renewal and until at least half of the new directors have accepted their appointment”.

4.3 COMPOSITION (AS PER ART. 123-BIS, PARA. 2, LETT. D, TUF)

The Board in office as at 31/12/2021, composed of 9 directors, was appointed by the Shareholders' Meeting on 29 May 2020.

The term of office applies equally to all directors.

The Shareholders' Meeting of 29 May 2020 resolved to determine a three-year term of office of the Board of Directors, which will therefore expire with the approval of the financial statements for financial year 2022.

During the Shareholders' meeting of 29 May 2020, three lists of candidates were presented, transcribed below and indicating the relative proposing party:

List of candidates for director no. 1

Shareholder Roma Capitale, holder of 108,611,150 shares, representing 51% of the share capital of Acea SpA:

- Candidate no. 1 Michaela Castelli born in Rome on 07/09/1970
- Candidate no. 2 Giacomo Larocca born in Rome on 13/05/1978
- Candidate no. 3 Giuseppe Gola born in L'Aquila on 23/08/1964
- Candidate no. 4 Gabriella Chiellino born in Pordenone on 21/03/1970
- Candidate no. 5 Liliana Godino born in Genoa on 08/04/1962
- Candidate no. 6 Stefano Pareglio born in Vercelli on 25/03/1963
- Candidate no. 7 Maria Verbena Sterpetti born in Rome on 23/07/1986

List of candidates for director no. 2

Shareholder Suez SA, holder of 23,106,700 shares, representing 10.85% of the share capital of Acea SpA and indirectly, through Suez Italia SpA, 26,584,395 shares, representing 12.483% of the share capital of Acea SpA:

- Candidate no. 1 Diane Galbe born in Paris on 14/01/1981
- Candidate n. 2 Giovanni Giani born in Lecco on 14/01/1950
- Candidate no. 3 Aurelia Binet Carrere born in Les Lilas (France) on 03/07/1978
- Candidate n. 4 Angel Simon Grimaldos born in Manresa (Spain) on 09/11/1957

List of candidates for director no. 3

Shareholder Fincal SpA, holder of 5,700,000 shares, representing 2.676% of the share capital of Acea SpA:

- Candidate no. 1 Alessandro Caltagirone born in Rome on 27/12/1969
- Candidate no. 2 Massimiliano Capece Minutolo Del Sasso born in Naples on 07/04/1968
- Candidate no. 3 Azzurra Caltagirone born in Rome on 10/03/1973
- Candidate no. 4 Mario Delfini born in Rome on 19/04/1940
- Candidate no. 5 Tatiana Caltagirone born in Rome on 03/07/1967
- Candidate no. 6 Fabrizio Caprara born in Rome on 12/11/1959
- Candidate no. 7 Annalisa Mariani born in Avezzano (Aq) on 08/03/1980

At the end of the vote, the following directors were taken from the majority list, presented by the shareholder Roma Capitale: Michaela Castelli, Giuseppe Gola, Giacomo Larocca, Gabriella Chiellino and Liliana Godino.

Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso were elected from the minority list presented by Fincal SpA, while Giovanni Giani and Diane Galbe were elected from the minority list presented by Suez SA. Please note that the minority lists declared the absence of any relationship or connection, including of an indirect nature, with the majority list.

The Board of Directors as at 31 December 2021 was made up as follows: Michaela Castelli, Giuseppe Gola, Gabriella Chiellino, Liliana Godino, Giacomo Larocca, Alessandro Caltagirone, Massimiliano Capece Minutolo del Sasso, Giovanni Giani and Diane Galbe.

Please note that following the end of the financial year, on 25/02/2022, Ms. Diane Galbe resigned from the office of Member of the Board of Directors.

Therefore, as of the date of this Report, the Board of Directors is composed as follows: Michaela Castelli, Giuseppe Gola, Gabriella Chiellino, Liliana Godino, Giacomo Larocca, Alessandro Caltagirone, Massimiliano Capece Minutolo del Sasso and Giovanni Giani. Of the above directors in office, one is an executive director — Giuseppe Gola — whom the Board of Directors has appointed as Chief Executive Officer with individual managerial powers, whereas the remaining 8 are non-executive directors.

The number and competencies of the non-executive directors are such to ensure a significant weighting in the adoption of board decisions and to guarantee effective monitoring of the business management.

Please note that five directors meet the requirements of independence provided for by applicable law and by the Code.

Seniority of office from the first appointment is shown in Table 2 “Structure of the Board of Directors at year-end”.

Some information of a personal and professional nature on the directors in office is given below.

MICHAELA CASTELLI

Chairperson – Non-Executive

Michaela Castelli was born in Rome on 7 September 1970. After graduating in Law and specialising in Financial Law, she began working in London in Capital Markets. She subsequently gained experience in leading Italian law firms, dealing with corporate law and financial markets. She worked for 9 years at Borsa Italiana SpA where she dealt with the primary market and was involved in assisting listed issuers with extraordinary transactions, corporate reporting, compliance and corporate governance. She is registered on the Milan Bar Association and has developed extensive experience as a member of the Boards of Directors and Control Bodies of leading listing and unlisted companies. Author of trade publications and lecturer in various continuing education courses in corporate and financial market law, she has participated in numerous conferences as a speaker.

Appointed on the basis of list no. 1 presented by Roma Capitale (including: 1) Michaela Castelli, 2) Giacomo Larocca; 3) Giuseppe Gola, 4) Gabriella Chiellino, 5) Liliana Godino, 6) Stefano Pareglio, 7) Maria Verbena Sterpetti); the relative proposal obtained a favourable vote from 69.9949% of voters.

GIUSEPPE GOLA

Managing Director – Executive

Giuseppe Gola was born in L'Aquila in 1964.

From September 2017 to May 2020 he was the CFO of the Acea Group.

Since May 2002 he has worked for Wind Telecomunicazioni, where, from October 2007 to December 2016, he served as CFO. Previously he was Management Control Director. From January 2017 to August 2017 he worked as a senior advisor, collaboration with ZTE and Cellnex.

From 1998 to 2002 he worked for various telecommunications operators, including IPSE 2000, as the Management Control Director, Albacom, as the Strategic Planning Director and Wind Telecomunicazioni, where he was the Business Plan Director.

He began his career with the Enel Group, from May 1991 to June 1996, where in the IT Department he was the Investment Planning Director. In 1997 he became the Business Plan Director for Enel mobile services, with the objective of developing a joint venture to enter the telecommunications market as a competitor to Telecom Italia.

Giuseppe Gola obtained a degree in Electronic Engineering in 1990 and a Master in Business Administration from the LUISS Guido Carli School of Management.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

GABRIELLA CHIELLINO**Director – Non-Executive – Independent**

Gabriella Chiellino was born in Pordenone on 21 March 1970; she graduated in Environmental Science at Ca' Foscari University in Venice in 1994. She has worked in the field of sustainability for over 20 years, covering various roles in the university context, teaching scientific subjects regarding environmental and energy management in companies. She was a member of various scientific technical committees in the public and private sector, also coordinating international events on matters linked to sustainability (water, waste, smart city). 20 years ago she founded an environmental and energy engineering company, of which she now chairs the BoD, which operates in Italy and overseas, as well as several innovative start-ups. As an expert of corporate Sustainability Governance, she steers and coordinates various Corporate Sustainability Committees. She is the author of various publications and articles on environmental and ethical matters and is a lecturer in various university courses. Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

LILIANA GODINO**Director – Non-Executive – Independent**

Liliana Godino was born in Genoa on 8 April 1962; she completed her education at HEC Paris, specialising in “Corporate Economy and Marketing”.

She has been the Chief Procurement Officer at Ignazio Messina & C. SpA, since October 2018. From April 2015 to September 2018 she was the General Affairs and Organisation Director at Baglietto Srl, which produces certified steel for shipyards across the globe. She was the Purchases and Logistics Director of Grandi Navi veloci SpA, MSC Group. She spent 18 years in Danone SA, a global agro-food company, first in consumer marketing with experience on national and international level and then in procurement, her last role being the Worldwide Sourcing Director for Packaging at the Headquarters. She was a member of the Board of Directors of the International School in Genoa.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

GIACOMO LARocca**Director – Non-Executive – Independent**

Giacomo Larocca was born in Rome on 13 May 1978, he graduated in Statistical and Actuarial Science at La Sapienza University in Rome.

He currently works as the Programming and Management Control Director at SACE BT, a company he has worked for since 2009.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

ALESSANDRO CALTAGIRONE**Director – Non-Executive – Independent**

Alessandro Caltagirone was born in Rome on 27 December 1969; he graduated in Economics and Commerce at La Sapienza University in Rome. Currently a member of the Board at various companies, including: Il Messaggero SpA and, Caltagirone SpA, as well as Deputy Chairperson of the Board of Directors of Cementir Holding N.V., Aalborg Portland Holding A/S and Caltagirone Editore SpA.

Appointed on the basis of list no. 2 presented by Fincal SpA which, as of the date of the Shareholders' Meeting of appointment, held 2.676% of the share capital (including 1) Alessandro Caltagirone, 2) Massimiliano Capece Minutolo Del Sasso, 3) Azzurra Caltagirone, 4) Mario Delfini, 5) Tatiana Caltagirone, 6) Albino Majore, 7) An-

nalisa Mariani), which obtained a favourable vote from 19.1328% of the voters.

MASSIMILIANO CAPECE MINUTOLO DEL SASSO**Director – Non-Executive – Independent**

Massimiliano Capece Minutolo Del Sasso was born on 7 April 1968; he is registered in the register of engineers of Rome since 1992. Vast experience in the real estate and infrastructure sector with competencies in design, development and management of large urban and construction projects. In the course of his professional career he has developed experience in the cement, banking, renewable energy and publishing sectors. He is currently Chairman of the Board of Directors of “IL Mattino SpA”. He is also manager of the company Vianini Lavori SpA And Director/Member of the Board of Directors of various companies operating in the real estate development and management sector.

Appointed on the basis of list no. 2 presented by the aforementioned Fincal SpA.

DIANE GALBE (in office until 25/02/2022)**Director – Non-Executive****CV updated as at 31/12/2021**

Diane Galbe was born in Paris on 14 January 1981 and was appointed Deputy General Manager of Suez with responsibility for the Worldwide Smart & Environmental Solutions Business Unit. She continues to manage Group Strategy and the “Shaping SUEZ 2030” Transformation Plan. She is also a member of the Suez Group Executive Committee. The new Smart & Environmental Solutions Business Unit aims to accelerate the development and worldwide deployment of digital and decentralised solutions based on performance and environmental quality, Smart City, smart agriculture, climate and air. A graduate of Commercial Law from Panthéon-Assas University in Paris II and former lawyer at Bredin Prat law firm, she joined the SUEZ Group in 2007, where she held various responsibilities both in central functions in Paris and for the Asia Business Unit based in Hong Kong. She was appointed Chief of Staff of the Group's Managing Director in 2013. In January 2017 she became Director of Finance and Strategy for the Italy, Central and Eastern Europe Business Unit and General Manager of the Group's Soil Depollution and Industrial Decommissioning activities. Since May 2019, she has been Director of Group Strategy and Project SUEZ 2030.

Appointed on the basis of list no. 3, presented by Suez SA, which as of the date of the Shareholders' Meeting held 10.85% of share capital (including 1) Diane Galbe, 2) Giovanni Giani, 3) Aurelia Carrera Binnet, 4) Angel Simon Grimaldos), which obtained a favourable vote from 10.6568 % of voters.

GIOVANNI GIANI**Director – Non-Executive**

Giovanni Giani was born in Lecco (Como) on 14 January 1950, engineer, manager with vast international experience in business development and the management of companies in the industrial, engineering and public services sectors. Expert in international relations. Awarded the “Officier de l'Ordre du Mérite de la République Française”. Since 2018, he has served as the Chairperson and Managing Director for Italy for the Suez Group, as well as holding various offices within group companies internationally.

He currently serves as a Senior Advisor to the Suez Group as well as a Member of the Board of Directors of Formez PA, an in-house company of the Presidency of the Council of Ministers.

He also offers strategic consulting in the industrial sector. Appointed on the basis of list no. 3 presented by the aforementioned Suez SA.

Diversity criteria and policy in the composition of the Board and the corporate structure

On 9 March 2020, after receiving the opinion of the Appointment and Remuneration Committee, the Board of Directors adopted the “Diversity policy for the composition of the administrative and control bodies” (“Diversity Policy”), promoted by the Ethics and Sustainability Committee.

The Diversity Policy aims to ensure the proper operation of Acea’s corporate bodies by regulating their composition and ensuring that their members have personal and professional requirements that meet the highest degree of diversity and competence.

In fact, the Board of Directors is aware of the fact that diversity and gender balance are fundamental elements of the corporate culture of a corporate group. In particular, as fundamental elements of sustainability in the medium-long term, diversity and gender balance represent a reference paradigm for both Acea Group employees and members of the company’s management and control bodies.

In line with the content of the Diversity Policy, in view of the Shareholders’ Meeting of 29 May 2020 called to appoint the Directors, the Acea Board expressed its position to the shareholders on the optimal qualitative and quantitative composition of the new Board. In particular, with regard to the composition of the Board, the outgoing Board had underlined the need to take into account, among other things, diversity, in terms of both gender and seniority, in line with applicable legal provisions. Furthermore, the Board highlighted the opportunity for the competencies of the members of the Board to be balanced for the correct performance of board activities. The current composition appears to be in line with the above orientation. Following the entry into force, from 1 January 2000, of the provisions of the Budget Law 2020, amended by art. 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the TUF, concerning gender balance in the corporate bodies of listed companies, the minimum quota currently required for the least represented gender is at least two fifths of the members of the Board of Directors.

Please note that the composition of the current Board of Directors complies with the gender balance called for under applicable regulations.

Furthermore, in line with the principles enshrined in the Code of Ethics, Acea has promoted a culture of equal opportunities and the management and promotion of diversity, through (i) the adoption of the Utilitalia Pact 2019 – “Diversity makes the difference”, which represents a preparatory document aimed at promoting inclusive policies at all levels of the organisation, such as a positive work-life balance, the transparent management of merit and the adoption of internal and external awareness-raising policies, and (ii) the adoption of an annual Diversity & Inclusion (“D&I”) action plan.

In particular, this action plan, promoted through an engagement campaign aimed at the entire company workforce, facilitated the integration of D&I principles, strategies and targets into a specific plan of measures aimed at raising awareness, informing and training Group personnel on the principles and values of diversity and inclusion.

To support this plan, the Group has adopted a series of internal indicators to monitor and analyse the processes linked to HR strategies, with a focus on D&I targets (gender, age, disability, culture), in order to observe, understand, guide and anticipate D&I trends

and compare the analysed results with market best practices.

The Group has also adopted a detailed corporate welfare plan aimed at supporting the health, physical and mental wellbeing and work-life balance of its employees, based on the conviction that the centrality of the Group’s personnel is a strategic factor in the company’s success.

In order to continuously improve HR strategy policies, the Group is rated on specific indexes and participates in certification schemes to measure the rate of application of the relative principles and the impacts of its initiatives on its business.

In 2021, for example, Acea participated in the GEI Bloomberg certification, an international index that measures business performance based on gender equality, earning an above-average ranking for the utility sector, and in the Top Employers certification, an institution that analyses the HR policies and strategies of thousands of businesses at a global level, which placed the Acea Group among the ranking of the 131 best performing companies in Italy.

In July 2021 Acea also signed a memorandum of understanding with Trade Unions concerning diversity and inclusion, aimed at engaging all social partners in the promotion of active values and the rejection of all forms of discrimination in the workplace. It also consolidated its observance of the legal provisions regarding the support of victims of violence by extending the period of leave and providing for the payment of specific financial compensation.

Maximum number of offices simultaneously held in other companies

At its meeting on 16 December 2020, after the investigation carried out in 2020 by the previous Appointment and Remuneration Committee, as well as that currently in office, the Board of Directors resolved to update the guidelines already expressed on 23 March 2011 with regards to the maximum number of offices held.

To that end, it defined the “other significant companies”, for the purposes of calculating the total in addition to other listed companies, financial, banking or insurance companies, or those with shareholders’ equity exceeding € 1 billion.

Furthermore, the Board resolved that:

- a) a Director should not hold the office of non-executive Director or Auditor in more than 6 (six) of the aforementioned companies;
- b) an executive director should not hold the office of non-executive Director of another issuer of which an Acea Director is an executive Director.

Further, it decided (i) to not consider the position held in Acea when calculating offices held; (ii) to not consider any offices held in direct or indirect subsidiaries of Acea, or in companies in which Acea holds an equity investment when calculating offices held; (iii) to not consider positions held on internal Board committees for the purposes of reaching the maximum limit for offices held.

On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 14 March 2022, cover a number of roles compatible with the guidelines laid down by the Board itself.

Table 1, at the foot of this Report, lists the offices held by the Directors and Statutory Auditors in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders’ equity exceeding € 1 billion.

4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D) OF THE TUF)

The Board meets on a regular basis - usually monthly, and in any case at least quarterly - in compliance with the law and the calendar of works, approved annually and published on the Company website, at least for meetings significant to the applicable law. However, meetings are called whenever the Board deems it opportune or at the request of the CEO, the majority of the Directors in office or the Board of Statutory Auditors.

The BoD is structured and operates to guarantee the efficient and effective performance of its duties. In order to regulate and set appropriate timelines for its operations, the Board has adopted a Board Regulation, last amended in March 2021 to adapt to the provisions introduced by the Code.

Resolution proposals and information for the Board of Directors must be sent - along with any other useful documentation and having been reviewed by the managers of the departments, functions and areas responsible for the specific matters - at least 10 calendar days prior to the date set for the Board meeting, to the secretariat of the Acea corporate bodies, which shall forward it without delay, in agreement with the Secretary, for the approval of the CEO in order to draw up the draft Agenda.

The Chairperson ensures that the pre-meeting information and any supplementary information provided during the meetings is such to enable the Directors to conduct their roles in an informed manner. In particular, the Chairperson monitors that adequate information is provided on the items on the Agenda of each meeting and that such information is provided within the deadlines set by the internal regulations, according to which the Agenda and any relative documents must be made available to Directors at least three days prior to the meeting. The documentation is made available to Directors and Auditors in such a way as to guarantee the necessary confidentiality, including through an appropriate IT system, pursuant to the provisions of the current BoD Regulation.

However, the justification of non-compliance with the aforementioned deadlines on the grounds of confidentiality is not permitted. In this regard, Acea has adopted specific software in order to enable the secure management of Board meetings and facilitate the secure and confidential transmission of information and documentation.

This system makes it possible to use various levels of security. Therefore, increasing usage of this platform and usage of the higher security levels that it offers makes it possible to protect even the need for greater information protection which may arise, without compromising completeness, usability and timeliness.

In certain cases, in the course of 2021, when it was not possible to meet the above deadline set by the Regulation for the provision of pre-meeting information due to the documentation being particularly copious or complex, at the meeting, as well as dedicating ample time to discuss the relative topic and any requests for clarification or further information, the manager of the relevant internal department was generally present.

Board meetings may also be held using remote technology (audio, video or tele-conferencing systems), as long as all participants can be duly identified by the Chairperson of the Board of Directors or by the Secretary in the event that the Chairperson is also attending remotely, and that all Directors are able to follow the discussion and engage in real time in the discussion of the items on the Agenda, as well as exchange documents relative to the topics under discussion and take part in the voting. The use of such remote methods of participation shall be acknowledged in the minutes.

At each meeting, the Chairperson of the Board of Directors invites Directors who, in relation to the items on the Agenda, may represent certain interests on their own behalf or on behalf of third parties, to make such interests known.

The Secretary draws up the minutes of the Board meetings and submits them in draft form to the Chairperson who, having consulted with the CEO, orders their transmission to the individual Directors. The approval of the minutes of the previous meeting is usually the first item on the Agenda of the next Board meeting.

In 2021, the Board of Directors met 14 times. The average duration of the meetings was 3 hours and 30 minutes. The meetings were attended by the members of the administrative body and the Board of Statutory Auditors.

The attendance of each Directors at the Board of Directors' meetings is detailed in Table no. 2.

At the date of this report, 2 meetings have been held since the beginning of 2022.

The calendar of the main corporate events 2022 (communicated to the Market and to Borsa Italiana SpA in accordance with regulatory requirements) includes 3 more meetings on the following dates:

- 11 May 2022 - approval of the interim report on operations as at 31 March 2022;
- 27 July 2022 - approval of the semi-annual report as at 30 June 2022;
- 19 November 2022 - approval of the interim report on operations as at 30 September 2022.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Pursuant to art. 20, paragraph 4 of the Articles of Association, the Chairperson of the Board of Directors, Michaela Castelli, is the legal and institutional representative of the Company, and holds the powers of signature.

The Chairperson of the Board liaises between the executive and non-executive Directors and is responsible for the effective operation of the Board, and is supported in these duties by the Secretary of the Board of Directors.

Furthermore, the Chairperson oversees the perceived quality indicators and the issues relating to environmental impacts and corporate social responsibility of company activities and processes.

The Chairperson supervises the secretary of the Board of Directors and all related activities, and is also vested with the powers to represent and promote the image of the Company and the Group and to manage external institutional communications.

With specific reference to the supervisory role over the secretary of the Board of Directors, the Chairperson:

- i) ensures the prompt and complete provision of meeting and pre-meeting information;
- ii) ensures that appropriate information flows are in place between Acea and Group companies, in order to monitor the consistency between the Group's strategic guidelines and its performance;
- iii) verifies the implementation of the resolutions adopted by the Board of Directors and the rules and principles of corporate governance, also in compliance with the powers reserved to the Board of Directors.

The Chairperson, therefore, coordinates the activities of the Board of Directors, calls the Board meetings, establishes the Agenda and directs the meeting, ensuring that the Directors are promptly given — except in the case of need or urgency — the documentation and information necessary to allow the Board to give a conscious opinion on the matters submitted to its examination.

In 2021 the Chairperson:

- ensured that the call notice - containing the date, time and place of the meeting and the topics to be discussed - and the documentation relating to the items on the Agenda were provided within the deadline provided for by the Articles of Association, i.e., at least 3 days prior to the meeting itself. In order to facilitate the review of the topics under discussion during Board meetings, a document is made available that summarises the most significant points relevant to the proposed resolutions on the Agenda, it being understood that this document does not in any way replace the complete documentation provided to Directors;
- promoted a structured scheduling process among the Board of Directors and its internal committees in order to coordinate the activities of the committees with those of the Board;
- ensured, in concert with the Chief Executive Manager, that the department or area managers responsible for the items on the Agenda were available to participate, where required, in Board meetings. These managers attended Board meetings exclusively to discuss the topics relevant to their area of competence and left the meeting when the Board came to make its resolution;
- prepared, in concert with the Chief Executive Officer a training programme for the Board that was also attended by the Board of Statutory Auditors, aimed at providing the Directors with a thorough knowledge of the Company's activities and organisation, of its sector and the regulatory framework and self-regulatory framework, of the company dynamics and their evolution and the role to be performed with respect to the specificities of Acea. The induction initiatives carried out in 2021 concerned, *inter alia*, topics linked to sustainability, corporate governance and business. Furthermore, the directors are kept constantly informed by the competent corporate functions regarding the main legislative and regulatory novelties concerning the Company and the exercise of their functions. The Chairperson and the Secretary ensured that the Directors and Auditors were able to participate in the induction sessions in person or remotely;

- supervised the self-evaluation of the Board, which also involved the Appointments and Remuneration Committee (for more details see paragraph 7 of this Report);
- ensured that the Board was informed of the development and significant content of discussions with all shareholders. In particular, at the meeting of 3 February 2022, the competent internal departments reported to the Board on the evolution of relations with the financial community on 2021, as provided for by the Policy for the management of relations with Institutional Investors, Shareholders and Bondholders of Acea approved by the Board of Directors (for more details see paragraph 13 of this Report).

Secretary of the Board of Directors

Article 18, paragraph 1 of the Articles of Association states that the Board of Directors elects, from among its members or externally, a Secretary who will draw up in the minutes of the Board meetings.

As noted in the paragraph regarding the functioning of the BoD, on 1 March 2021 the Board of Directors approved the new Regulation on the functioning of the Board of Directors, introducing measures on the appointment and duties of the Secretary.

In particular, the first paragraph of the aforementioned article states that the Board resolves, on the proposal of the Chairperson, on the appointment or revocation of the Secretary of the administrative body, assessing the existence of the appropriate requirements of professionalism and defining, where necessary, any other appointments.

On this basis, on 12 October 2021 the Board of Directors appointed, subject to the positive assessment of the requirements of professionalism, Mr. Cosmo Damiano Marzulli as the new Secretary of the BoD.

In line with the duties assigned, in 2021 the Secretary supported the activities of the Chairperson and provided impartial assistance and advice to the administrative body on all aspects relevant to the correct operation of the corporate governance system.

In particular, the Secretary supported the Chairperson of the Board of Directors in the performance of the various activities of competence, in order to ensure that:

- a) pre-meeting information was accurate, complete and clear, and that supplementary information provided during the meetings was such to enable Directors to act in an informed manner;
- b) the activities of the internal board committees were coordinated with those of the Board of Directors;
- c) Directors of the Company and of Group companies were able to participate in Board meetings to provide any necessary details on the items on the Agenda;
- d) all Board members and Auditors could participate, following their appointment and during their term of office, in the specific induction activities focused on corporate dynamics and their evolution, including with a view to sustainable success and the principles of sound risk management;
- e) the self-evaluation process of the administrative body was adequate and transparent.

4.6 EXECUTIVE DIRECTORS

Managing Director

In May 2020 the Board of Directors appointed Giuseppe Gola as Managing Director, to whom, pursuant to art. 20 of the Articles of Association, the ordinary management of the Company, the Company's signature and legal representation before third parties and in court are delegated, as well as all powers within the scope of the delegations conferred and within set commitment limits.

The Chief Executive Officer is vested with all powers of administration of the Company, with the exception of those otherwise assigned by law and by the Regulation, the Articles of Association or the structure of powers last approved in October 2021.

In particular, the Chief Executive Officer:

- operates on the basis of long term plans and the annual budgets approved by the Board, and guarantees respect for the managerial guidelines deriving from the same. In this context, the powers of the Managing Director are exercised for transactions with a value up to €7.5 million (tender contracts, procurement, rents, disposals, participation in tenders, etc.), if in line with the budget and up to €1 million for off-budget transactions; for Group subsidiaries operating in the electricity and gas markets, the powers granted to the Managing Director include: i) issuing sureties or other guarantees up to €12 million if in line with the budget and up to €2 million if off-budget, ii) issuing all sureties and other obligatory guarantees in favour of ARERA, GSE, GME, Terna SpA, the Single Buyer, other public entities and distribution concessionaires;
- signs tender contracts of any amount awarded on the basis of Italian Legislative Decree 50/2016, as amended;
- implements organisational and procedural changes to Company activities in line with the guidelines resolved by the Board of Directors;
- presides over and coordinates the Management Committee, a consulting Committee consisting of Company executives, which is responsible for monitoring the Group's economic and operating situation and that of the individual companies, identifying any discrepancies with regards to planned objectives;
- ensures correct management of corporate information. In this regard, please refer to Chapter 5 "Management of Corporate Information";
- is responsible for the activities regarding the management and coordination of subsidiary and investee companies of the Acea Group, including through the establishment of targets and the monitoring and control of the activities and results of Group companies, in line with the Group's strategies. The CEO is also responsible for ensuring the management and organisational coordination of companies subject to management and coordination by Acea or otherwise controlled pursuant to art. 2359 of the Italian Civil Code.

The Managing Director informs the Board of Directors and the Board of Statutory Auditors at least every quarter and, in any case, on the occasion of the Board of Directors' meetings, on the activity performed and the Company's business trend, on the business outlook and on transactions of major relevance for their dimensions or features, carried out by the Company or its subsidiaries, in compliance with art. 20.1 of the Articles of Association.

Furthermore, the Chief Executive Officer is responsible for establishing and maintaining the Internal Control and Risk Management

System (SCIGR), as provided for by the Code (for a detailed description of the duties assigned to the Chief Executive Officer with regard to the SCIGR see paragraph 10.1 of this Report).

With reference to the topics reserved to the Board by the structure of powers and by art. 20.2 of the Articles of Association, see paragraph 4.1 of this Report.

Chairperson of the Board of Directors

The Chairperson has not received management powers and does not play a specific role in the development of corporate strategies.

For the appointments and powers of the Chairperson, see paragraph 4.5 of this Report.

Joint Powers of the Chairperson and Chief Executive Officer

By Board resolution of 29 May 2020, as amended on 12 October 2021, joint powers were delegated to the Chairperson and the Chief Executive Officer who, in the case of proven urgency and need, are thus authorised to i) exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, (the relative limits of which are based on the financial commitments or expenses or charges or debts that may be incurred by the Company in the event of an award) and the issue of sureties, and ii) appoint the members of the Boards of Statutory Auditors and the Boards of Directors of the most important subsidiaries and partly held companies, these being understood as:

- those listed on regulated markets or with securities on issue as under art. 116 of the TUF;
- those requiring capital commitments, shareholders' loans or guarantees exceeding €10 million.

The Chairperson and Chief Executive Officer inform the Board of any measures adopted at the next meeting; the Board establishes the existence of proven urgency and need.

In addition, the Chairperson and the Managing Director designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the Acea SpA Group other than those considered of "more importance".

Information provided to the Board by Board members/delegated bodies

Pursuant to art. 20 of the Articles of Association, the delegated bodies report to the Board of Directors and the Board of Statutory Auditors on a quarterly basis on the general business trend and the relative outlook, as well as on operations deemed significant — due to their size or characteristics — carried out by the Board or by its subsidiaries.

In this regard, in 2021 the Chairperson and the Chief Executive Officer gave a quarterly report to the BoD and the Board of Statutory Auditors regarding the exercise of the powers vested in the delegated bodies by the BoD.

In the case of events and/or operations of particular significance to the Company, the delegated bodies report to the BoD and the Board of Statutory Auditors at the next meeting.

Other executive directors

No other Directors on the Board of Directors of Acea qualify as executive under the definitions provided by the Corporate Governance Code.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent Directors

The Company's Board of Directors has a number of independent directors who represent the absolute majority of its members.

Their number and competencies are appropriate to the needs of the business and to the operation of the Board, as well as to the constitution of the relative committees.

The Board conducts checks to verify the independence of its members at the time of appointment and subsequently on an annual basis.

In particular, in March 2022, the process to evaluate the independence of the directors was completed, pursuant to the Code and to art. 148, paragraph 3 of the TUF.

The actions taken by the Company may consider the following methods.

First of all, the assessment of independent of the members of the Board of Directors is based on the information held by the Company regarding the existence of any significant relationships as well as on any declarations made by each individual member.

In the event that it deems the available information not to be sufficient to complete the assessment, or if the information available to the Company raises doubts or concerns regarding the independence, the Company sends a request for further information or clarification to the member in question.

In order to ensure the functional performance of the assessment process and the correct interpretation of the available information, the Board of Directors reserves the right to consult with a qualified external consultant.

Moreover, each independent director shall promptly inform the Board of Directors in the event of situations that may theoretically impact the position of independence.

In the event that the Board of Directors resolves not to apply any of the criteria of significance to one or more directors, it provides adequate, transparent and exhaustive reasons for the reasons for this non-application.

The Board of Statutory Auditors verifies the correct application of the criteria and of the assessment procedures adopted by the Board of Directors to assess the independence of non-executive members, and the outcome of these controls is made available to the market in this Report or in the report made by the Auditors to the Shareholder's Meeting.

Following the outcome of the activities in 2022, the Board of Directors, based on the information available to the Company, the information provided by individual Directors and any declarations received, ascertained in March 2022 — the existence of the re-

quirements of independence contained in art. 148, paragraph 3 of the TUF and in Recommendation 7 of the Code, in relation to the following Directors: Giacomo Larocca, Gabriella Chiellino, Liliana Godino, Massimiliano Capece Minutolo Del Sasso and Alessandro Caltagirone.

Insofar as necessary, when verifying the existence of the independence requirements of the current administrative body, the Board gave its assessment in accordance with the criteria contained in the Code.

Moreover, within the framework of the tasks attributed to it by law the Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and disclose the outcome of the verification to the market in the Corporate Governance Report.

It is noted that for the sake of diligence, the Chairperson of the Board of Directors considered it preferable that their position not be qualified as an independent director despite not being included, for the purposes of independence, (i) in the circumstances listed in art. 148, paragraph 3 of the TUF, referred to for directors under art. 147-ter of the TUF and (ii) in the circumstances listed in Recommendation 7 of the Code, which appear to compromise independence.

During the year, there was no need to hold a separate meeting for the independent directors, also in consideration of the quality of the information received by the delegated bodies and their active participation on the Board and on the internal board committees.

With reference to the recommendation contained in the letter of the Corporate Governance Committee of 3 December 2021, it is noted that the Board continued its deliberations regarding the identification — possibly as part of a procedure to assess the independence of directors — of certain quantitative and/or qualitative criteria to assess the significant nature of commercial, financial and professional relationships held by Directors, as well as any additional remuneration received by them pursuant to Recommendation 7 of the Code.

Lead Independent Director

On 14/03/2022 the BoD verified that, as in previous years, no circumstances pursuant to Recommendation 13 of the Code that would require the appointment of a lead independent director had arisen.

In fact, at Acea the Chairperson of the Board of Directors is not the chief executive officer, is not vested with significant powers of administration, and is not a shareholder with control, including joint control, over the Company.

As at the date of this report, no requests regarding the appointment of a lead independent director have been received from the independent directors.

5. MANAGEMENT OF CORPORATE INFORMATION

As proposed by the Chief Executive Officer, the Acea Board of Directors has adopted Regulations for internal governance and for the external disclosure of the Company's documents and inside information that:

- establish the methods for the processing and disclosure of corporate information within the Group;
- rule that Company representatives who gain knowledge of information of which the early disclosure could be prejudicial to the Company's equity and/or that of the Shareholders must treat the same with maximum reserve, and that the Company, in the case of specific circumstances, must give immediate and full information to the market;
- prescribe that a procedure must be established for the drafting of press releases relating to price sensitive information, to prevent possible distortions or irregularities in the communication of such information.

This Regulation is available on the Acea website at: www.gruppo.acea.it/governance/sistema-controllo-interno-gestione-rischi/trattamento-informazioni-societarie. The creation is also required, pursuant to art. 18, par. 1, lett. a) of Regulation (EU) no. 596/2014 (MAR), of a List of persons with access to Inside Information.

The list is divided into:

- a "permanent section", which indicates entities who have access to all Inside Information;
- a section for each inside information, where the persons who have access to the specific inside information are registered, if the delay procedure is activated.

Art. 7 of the MAR regulation establishes that inside information means "information of a precise nature, which has not been made public, directly or indirectly relating to one or more issuers or one or more financial instruments and which, if rendered public, could have a significant effect on the prices of those financial instruments or on the prices of related derivative financial instruments". Information is deemed precise if "it refers to a series of existing circumstances or which could be reasonably held to occur or an event which has occurred or which could be reasonably understood to occur and if this information is sufficiently specific to allow the drawing of conclusions about the possible effect of this combination of circumstances or of the event on prices of financial instruments or the relative derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information".

Rules have also been adopted on Internal Dealing in compliance with the provisions of art. 19 of the MAR which rules that transactions in financial instruments carried out by "relevant subjects" and by persons closely linked to the same must be communicated to Acea and to Consob immediately and, in any case, within three working days from the transaction, at the request of the relevant subjects.

Relevant subjects and persons closely linked to the same must inform the Company, pursuant to the referenced regulation, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of € 20,000.00 over one calendar year.

6. INTERNAL BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. D) TUF)

The Board of Directors has set up three internal committees to support the administrative body, namely: the Appointments and Remuneration Committee, the Control and Risks Committee and the Ethics and Sustainability Committee.

For information on the Related Party Transactions Committee, see paragraph 11 of this Report.

In adopting its Regulation, the Board of Directors established that the duties and composition of each Committee must be set at the time of its constitution by Board resolution, and that the activities of the committees may be regulated by specific operating regulations that establish operating procedures for the duties assigned to them.

Therefore, the composition, duties and functioning of each Committee are governed by the Board of Directors through the adoption of specific regulations in line with the criteria laid down by the Code.

Committee members (totalling a minimum of three per committee) are appointed by the Board and are selected from among the members of the Board. The Board determined the composition of the Committees by prioritising the skills and experience of the relative members, even if the structure of the committees themselves, given the composition of the Board, implies a certain concentration of duties.

The chairpersons of the committees, who are nominated by the Board from among its members, call the meetings, set the agendas, prepare the works and coordinate the discussion. At the next Board meeting, the committee chairs report on the relevant activities conducted by the committees and on the proposals and opinions issued.

In the event of absence or impediment, the chairpersons are replaced by the committee member with the highest seniority by age. For the organisation of their work, the committees are supported by the Secretary of the Board of Directors or by a party indicated by the Committee itself. Each committee meets, on the invitation of its chairperson, at the location established in the call notice issued to all members at least 3 business days before the date set for the meeting; in urgent cases, this period may be reduced to 24 hours before the time set for the meeting. The meeting documentation is made available to the committee members at the same time as the call notice is issued by the Secretary of the respective Committee. The documentation regarding the Agenda is made available to members by the Secretary of the respective Committee usually at least three business days prior to the date of the meeting, except in exceptional circumstances.

The members of each Committee and all participants in the meeting are bound by the legal obligations on inside information and the confidentiality of data and information received in the execution of their duties.

Moreover, Acea has adopted specific software in order to enable the secure management of committee meetings and facilitate the secure transmission of information and documentation. For more information on this software please refer to paragraph 4.4 of this Report.

The committees meet according to a schedule approved by each committee, based on the proposals of the respective chairpersons. This schedule is updated when deemed opportune and/or necessary by the respective chairperson in the light of developments to the corporate activities.

Based on the specific invitation of the respective chairperson, the meetings of each committee may be attended by other members of the Board of Directors or by representatives of company departments or third parties whose presence may be of assistance in the best performance of the Committee's functions.

The Chairperson of the Board of Statutory Auditors or another statutory auditor designated by the same also participates in committee meetings (it being understood, in any case, that other current statutory auditors are also entitled to intervene).

Resolutions are taken by absolute majority vote; in the event of a tie, the vote of the Chairperson of the Committee shall prevail.

The minutes of each meeting are signed by the Chairperson of the Committee and the Secretary. In the performance of their activities, committees are entitled to access the information and company departments deemed necessary for the performance of their duties and may also consult external consultants, according to the terms established by the Board.

The committees provided for by the Code shall be provided with an adequate annual budget assigned by the Board.

In line with best practices, independent directors represent the majority of members on the advisory committees provided for by the Code, and the position of chairperson is entrusted to an independent director.

Other committees (not provided for by law or recommended by the Code)

Upon the expiry of the previous Executive Committee, a Committee for the Region was established, composed of three non-executive directors, the majority of which are independent, and with an advisory and supervisory role over the granting process for sponsorships and donations. The Committee is responsible, *inter alia*, for

- a) reviewing, on a preliminary basis, the needs represented by Acea and its subsidiaries with regard to the regions in which the Group operates and as reflected in the guidelines prepared each year to define and steer the areas of intervention for sponsorship initiatives and donations to be presented for approval by the Board of Directors;
- b) reviewing, on a preliminary basis, the management rules and procedures on sponsorships and donations which establish roles, responsibilities, monitoring principles and codes of conduct;
- c) reviewing, on a preliminary basis, the annual spending budget to be presented for approval by the Board of Directors;
- d) expressing opinions regarding the formalisation of the sponsorships and donations identified by the competent body/department of Acea or of its subsidiaries, verifying that the donation or sponsorship is consistent with the budget and the guidelines defined from time to time;

In 2021, the Committee, *inter alia*:

- a) approved the "Guidelines for the management of sponsorships and donations 2022" and presented the same to the Board of Directors for approval;
- b) in the course of all meetings held, approved the sponsorships and donations presented by the competent department of Acea. The Committee duly reported to the Board of Directors upon the conclusion of each meeting.

7. SELF-EVALUATION AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

Evaluation of the functioning of the Board of Directors and its Committees

On 23 September 2020, the Board of Directors resolved to carry out the evaluation process on the size, composition and functioning of the Board and its committees on an annual basis (Board Review), making use of an independent external consultant.

In the context of the activities surrounding the relative appointment, the Appointment and Remuneration Committee discussed the start of the self-evaluation process and methods for executing the same. After a competitive process, the company appointed Koinè (which held the necessary independence requirements) to assist it in this process for the three-year duration of its term and, therefore, for the years 2020, 2021 and 2022.

The Board Review process is presided over by the Chairperson of the Acea Board of Directors and the Appointment and Remuneration Committee. The Chairperson of the Board of Directors is responsible for ensuring that the methods used to carry out the self-evaluation process are effective and consistent with respect to the complexity of the Board's work and that the corrective measures established to deal with any problems found are effectively adopted. The Appointment and Remuneration Committee, with the assistance of the consultant Koinè, is responsible for supporting the Board during the various stages of the process.

The Appointment and Remuneration Committee, supported by the Board of Directors Secretary, carried out research and supported the entire board review process.

The 2021 board review was structured by the Appointment and Remuneration Committee and the initial stage was carried out through the completion of a questionnaire prepared by Koinè by each Director, intended to evaluate the size, composition and functioning of the Board of Directors and internal Board Committees. The second stage of the 2021 board review involved individual interviews carried out by the Koinè team to further investigate the most significant aspects identified from the questionnaire answers.

More specifically, the questionnaire prepared by Koinè to carry out self-evaluation relative to the size, composition and functioning of the Board of Directors and board committees for 2021 contained specific questions intended to, among other things, obtain information from directors with regards to the adequacy of the process used to define and approve the strategic plan, the time dedicated to investigating its various aspects, the level of involvement of the administrative body in monitoring its implementation, and evaluating the sustainability of the business, based on adequate understanding of risks and management of the same by management.

The questionnaires and interviews concerned in particular:

- the qualitative/quantitative size and composition of the Board of Directors;
- organisation of work and execution of Committee work;
- method of working, cohesion and interaction of Directors;
- the composition and operation of the committees and the effectiveness of their activities in support of the Board of Directors;
- the role and coordination of independent directors;

- Board dynamics and the overall efficacy of Board work.

When designing the structure of the questionnaire and evaluating the results, reference was made to the outcome of the 2020 self-evaluation.

Therefore, the questionnaire considered the situation after the implementation or follow-up of actions identified by the board review in the previous year. This aspect will also be taken into consideration in the subsequent self-evaluation exercise, for the issues and areas that arise, following the guidelines and directives approved by the Board of Directors to that end.

As part of the board review process, the consulting company also carried out benchmarking with regards to the structure and functioning of the Board of Directors and internal committees of Acea with two distinct groups of peers, represented by (i) 42 non-financial Mid-Cap companies and (ii) 13 listed companies in the public utilities sector.

This comparison obtained positive results with regards to (i) the high weight of the non-executive (and independent) directors, also from minority interests, (ii) the number of meetings, in line with those of peers, both in terms of size and sector, and (iii) high participation in corporate events (in line with peers).

The results of the board review for financial year 2021 provide a widely satisfactory overall judgement relative to the size and composition of the Acea Board of Directors and its committees, the efficacy of Board dynamics and the work and contributions provided by the internal committees. Therefore, in line with the previous year, a positive assessment was given with regards to the functioning of these bodies, their efficacy and transparency, in compliance with national and international best practices for corporate governance.

In particular, the results of the board review for 2021 revealed the following main strengths:

- the composition (executive, non-executive, independent) of the Board was judged appropriate and balanced in terms of diversity (gender, age, background, etc.);
- the number and frequency of Board of Directors meetings was judged appropriate, as was the participation of the individual directors;
- meeting documentation was clear, complete and easily accessible;
- the presentation of items on the agenda at meetings was precise and accurate, and provided the directors with the relevant information to act in an informed manner;
- the presence of the company department managers at Board meetings helped the Directors to better understand the items on the Agenda;
- the climate within the Board of Directors is positive and encourages debate, which is always open, of high quality and respectful of the roles held by each Director; the Board is able to find harmonious solutions even in problematic and complex situations;
- the BoD received adequate information regarding the management and adequacy of the Internal Control and Risk Management System;

- the BoD is involved in all of the main business decisions and is able to provide appropriate details on all significant topics; the Chief Executive Officer responds effectively, promptly and comprehensively to questions posed by other Directors;
- the committees carry out their activities autonomously and independently and effectively support the Board in the issues for which they are responsible;
- the Committees help to streamline the work of the BoD, enabling discussions to be focused on the most important topics.

With regards to areas for improvement identified, which should in any case be considered as part of an overall positive environment, these included:

- the opportunity to devote greater attention to the analysis of certain strategic topics in the medium to long term;
- the opportunity to further optimise the advisory role of the committees with a view to ensuring the continued smooth operation of committee meetings;
- the opportunity to consider strengthening reporting flows to the BoD on the Group's operations.

On the basis of the comments received and the analysis carried out, the Board of Directors expressed a positive judgement on Acea's application of the indications of the Code, and confirmed the overall basic stability of its corporate governance structure, the functioning of the Board of Directors and the level of support from company structures.

Succession plans

In the context of the analysis conducted to ensure the full implementation of the new Code, the Board was informed of the opportunity to launch, during the course of the present Board's term, activities aimed at the adoption of a succession plan for the CEO, which defines the procedures to be followed in the case of early termination of office, the periodic updating of the same and the methods for implementation.

In this regard, the Board of Directors of the Company, while recognising the importance of succession plans to promote generational exchange, to improve the management of the termination of office of executive directors and senior management and to contain the negative impact of any discontinuity in management, did not deem it necessary to prepare a succession plan for executive directors.

This is directly related to the current appointment methods of executive directors and the representation and evaluations of the majority shareholder.

If an executive director leaves office, the Board of Directors may co-opt a new director in their place and determine the powers to be vested on the latter.

Their successive inclusion on the Board of Directors shall be confirmed at the next Shareholders' Meeting.

To ensure effective continuity of management, the Company has also adopted a personnel development plan aimed at promoting the identification and differentiation of the succession profiles of management positions.

The process aims to guarantee appropriate organisational controls, defining, where possible, the potential successors for each management position and the necessary development actions required to support the respective professional growth.

For each position, three readiness profiles have been identified (depending on the time necessary to develop the technical and managerial skills necessary for the target positions), categorising candidates as "ready now", "ready later" and "ready in an emergency".

7.1 APPOINTMENTS AND REMUNERATION COMMITTEE

As of the date of this report, the Appointment and Remuneration Committee consists of four non-executive directors, of whom the majority independent, specifically: Massimiliano Capece Minutolo del Sasso (Chairperson, independent), Liliana Godino, Gabriella Chiellino and Giovanni Giani.

The Board of Directors recognised that Giovanni Giani holds the requisite of adequate knowledge and experience in accounting and financial matters and retributive policies.

The Committee's secretariat duties are performed by the Board of Director's Secretary or by another subject chosen by the Committee itself.

With respect to the tasks assigned, the Appointments and Remuneration Committee offers research, proposals and consulting. In particular, it is responsible for assisting the Board of Directors in assessments and decisions relating to its composition and to remuneration policies regarding the Managing Director, the directors who hold particular offices and the managers with strategic responsibilities.

It should be noted that the powers relating to appointments and remuneration are merged into a single Committee, in line with the express provisions of the Code, in compliance with the rules relating to the composition of each Committee, so as to ensure the correct use of the relative powers in an effective and efficient manner.

In particular, the Appointments and Remuneration Committee:

1. proposes to the Board of Directors the policy for the remuneration of directors and executives with strategic responsibilities, with a view to promoting sustainability and the creation of value in the medium-long term;
2. periodically assesses the adequacy, the overall consistency and the concrete application of the remuneration policy relating to directors and senior management, on the basis of information provided by the Chief Executive Officer, and presents proposals regarding said remuneration to the Board of Directors;
3. in the case of co-option, proposes candidates for the office of director to the Board of Directors;
4. it presents proposals to the Board of Directors on the fees of the executive directors and the other directors that hold special offices, and on the performance targets linked to the variable part of said fees;
5. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
6. it submits the Remuneration Report to the Board pursuant to art. 123-ter of the TUF, which the Directors present to the annual Shareholders' Meeting;
7. it gives the Board its views on the dimensions and composition of the Board itself and makes recommendations as regards the management team and professionals whose presence is deemed necessary;
8. issues preliminary and non-binding opinions regarding the positions to be classified as having strategic responsibilities;
9. for the purposes of expressing its preventive and non-binding opinions, it gathers the preliminary investigations according to the choice of the executives with strategic responsibilities as well as those relating to the appointments of the Directors and Auditors in the most significant companies.

At the meeting of 1 March 2021, the Board of Directors integrated the competencies already recognised to the Appointments and

Remuneration Committee with the additional responsibility, for the purposes of formulating preliminary and non-binding opinions, of the investigations conducted on the basis of the selection of executives who, while not classifiable as executives with strategic responsibilities, perform duties relevant to the achievement of the Acea Group's performance ("Key Resources").

Directors must refrain from participating in Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to their own fees.

In 2021, the Committee met on six occasions, with an average duration of 1 hour and 33 minutes, with the minutes duly recorded and characterised by the regular attendance of its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

As at the date of this report, 2 meetings have been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The Committee meetings were also attended by other members of the Board of Directors or representatives of competent company departments whose presence was deemed opportune for the optimal performance of the duties of the Committee itself; such attendees were specifically invited by the Chairperson and their presence was notified to the Chief Executive Officer.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.

With regard to remuneration, during 2021 among other things the Committee:

- submitted the Remuneration Report pursuant to art. 123-ter of the TUF to the Board of Directors for approval and, in particular, the section on the Remuneration Policy for directors and executives with strategic responsibilities for the year 2021;
- monitored the concrete application of the remuneration policy for directors and executives with strategic responsibilities;

- noted the achievement of economic/financial objectives and authorised payment of the short-term variable incentive programme *MBO 2020* ("Management By Objectives");
- acknowledged the achievement of the performance objectives for the 2018-2020 period indicated in the long-term incentive plan (LTIP);
- submitted a proposal to the Board of Directors on establishing performance objectives for the short-term variable component "*MBO 2021*" for the CEO and executives with strategic responsibilities;
- following the outcome of the analyses regarding the Company's remuneration policies, presented the new variable Long Term Incentive Plan 2021-2023 for approval by the Board of Directors;
- presented the allocation of the first cycle of the Long Term Incentive Plan 2021-2023 for approval by the Board of Directors;
- formulated, based on the constitution of the Committee, a proposal to the Board of Directors regarding the remuneration of the Committee for the Region;
- reviewed the vote expressed by institutional investors regarding the Report on the Remuneration Policy and on the Fees Paid in 2021.

As regards its duties concerning appointment, the Committee:

- presented its opinion to the Board regarding the list of persons to be classified as executives with strategic responsibilities;
- acknowledged the updates on the project to identify succession profiles for management positions to ensure the effective continuity of senior management;
- supported the Board in the self-evaluation of the Board and of its Committees.

The Board of Directors confirmed the allocation of an annual budget for 2022 of € 25,000.00 (twenty five thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

8. DIRECTORS' REMUNERATION

Remuneration Policy

The Remuneration Policy for Directors and Senior Management ("Remuneration Policy"), defined by the Board of Directors, is described in detail in the "Report on the Remuneration policy and on the fees paid" ("Remuneration report") produced pursuant to art. 123-ter of the TUF and available on the website www.gruppo.acea.it in the "Governance - Remuneration" section, to which reference should be made.

The Appointments and Remuneration Committee and the Board of Directors of the Company play a central role in defining the Remuneration Policy.

The Human Resources unit, in coordination with the other competent corporate departments/units and involving the top management, sets up in a proactive, clear and transparent manner the process of developing the remuneration policies. The preliminary phase begins with the monitoring of the most widespread market practices, also through benchmarks prepared by leading operators in the sector, with the intention of aligning and/or keeping aligned its Remuneration Policy with the best practices. The result of these activities enables the competent bodies to submit to the shareholders remuneration policies and guidelines increasingly appropriate for the professionalism, competence and commitment required. The aim of the Acea Group remuneration policy is to attract, motivate and retain individuals who, due to their technical and managerial skills and their differing profiles also in terms of gender and experience, are a key factor to the success of the Group.

On the basis of the documents produced by the Human Resources unit, the Appointments and Remuneration Committee submits the Remuneration Report to the Board for approval.

The Committee provides information to the Board of Statutory Auditors, in order to enable the latter to check the consistency of the proposals on the subject of the directors' remuneration with the remuneration policy for the purpose of expressing the opinion pursuant to art. 2389 of the Italian Civil Code.

The intervention of the main corporate management bodies in the process for the approval of the Remuneration Policy ensures that it is based on clear and prudent rules which ensure that it is consistent, avoiding situations of conflict of interest and guaranteeing its transparency through suitable disclosure.

Remuneration of Executive Directors and Executives with Strategic Responsibilities

The Remuneration Policy defines guidelines that are consistent with the topics indicated below:

- a significant part of the remuneration of the Company's Executive Directors and key managers, as expressly required by the Code, is linked to the economic results achieved by the Company and, possibly, to the achievement of specific performance targets — pre-set, measurable and aimed at promoting sustainable success — indicated in advance by the Board of Directors itself, as detailed in Section I of the "Remuneration Report";
- a system of medium-long term variable incentives (Long Term

Incentive Plan) is contemplated, to be vested in three years. The aim of this plan is to encourage the management to pursue the Group's economic-financial and sustainability results in the interests of the shareholders;

- as of 2015, in line with a growing need for transparency expressed by the Self-Governance Code and in view of an increasingly responsible remuneration policy, the claw back clause, already adopted for executives and key managers, has been extended also to the managerial roles which have greater impact on the Group's business. Based on this clause, the Company is granted the right to request the restitution of variable remuneration (both short and long-term), should these components be found to have been paid on the basis of conduct of a malicious nature and/or due to serious misconduct, such as the intentional alteration of the figures used in achieving the objectives or obtaining these figures through conduct contrary to the corporate or legal regulations.

Please note that in a market context in which the connection between variable remuneration mechanisms and the achievement of social and environmental as well as economic results is increasingly widespread, also after Legislative Decree 49/19 to encourage long-term commitment from shareholders, for many years the Acea Group has sought to further integrate sustainability into its business. In fact, in line with previous years, the short-term incentive plan includes both economic and financial objectives and those relating to sustainability. Similarly, the Long Term Incentive Plan includes parameters intended to align the interests of management with those of shareholders and closely linked to the Group's Business Plan, through the use of economic/financial indicators and indicators which recognise the creation of value which is sustainable over the medium/long-term.

For details on the remuneration package for the Chairperson and the CEO, as well as for other executives with strategic responsibilities, please refer to Section II of the Report on Remuneration, pursuant to art. 123-ter, TUF.

Remuneration of non-executive Directors

The remuneration of non-executive directors is not linked to the economic results achieved by the Company, but to the commitment requested of them and their possible membership of one or more committees. No share incentive plans involve non-executive directors.

With the assistance of the competent Appointments and Remuneration Committee, for many years the Board of Directors has undertaken a process of analysis aimed at aligning the remuneration paid to corporate bodies with market best practices.

It should be noted that in the light of the benchmarking activities carried out, with the support of the competent internal departments and external consultants, the total remuneration paid to members of the administrative body is below the median of similar companies.

Accrual and payment of remuneration

At the end of the reference period of the Remuneration Policy, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, approves the achievement of the performance objectives associated with the variable incentive schemes, verifying the consistency with the terms set in the remuneration policy, which is considered an effective lever in the pursuit of the goals of the Strategic Plan.

Indemnity for Directors in the case of revocation, resignation, dismissal or discontinued office subsequent to a takeover (art. 123-bis, par. 1, lett. i, TUF).

In reference to the policies in force in the event of contract termination, please refer to the provisions established by the Collective

Labour Agreement (CCNL) for Executives of Public Utility Service Companies, parts IVa) and Va) of which regulate the methods for the definition of the contract terminations of Executives and the “Executive Exodus Management” policy approved by the Board of Directors with Resolution no. 33 of 21 December 2011, which is still in effect. The “Executive Exodus Management” Policy, which refers to the Collective Labour Agreement (CCNL), considers the short and long-term fixed and variable components of the monthly salary payments. The Chief Executive Officer, Mr. Gola, is entitled to receive the maximum amounts provided for by the policy.

No agreements have been stipulated between Acea and the directors in office which contemplate non-competition agreements or indemnity in the case of their dismissal or resignation/revocation without just cause.

9. ETHICS AND SUSTAINABILITY COMMITTEE

The Committee is a panel body having full and autonomous powers of action and control designated with providing preliminary, propositional and advisory support to the Board of Directors within the context of corporate ethics and environmental, social and governance topics (ESG Environmental, Social and Governance).

The composition and operation of the Committee are disciplined by specific Regulations approved by the Board of Directors.

The Committee consists of four non-executive directors from Acea, the majority of which are independent, specifically: Gabriella Chiellino (Chairperson, independent), Giovanni Giani, Massimiliano Capece Minutolo Del Sasso and Giacomo Larocca.

As required by the aforementioned Regulations, Ms. Chiellino has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors upon appointment.

The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.

So as to fulfil its responsibilities, it carries out the following duties:

- a) promote the integration of sustainability in the strategies and culture of the company and favour its circulation among employees, shareholders, users, clients, the territory and all the stakeholders in general;
- b) supervise sustainability issues, also in relation to reporting aspects required under Italian Legislative Decree 254/2016, associated with the exercising of business activities and interaction dynamics between the company and all stakeholders and examine the main corporate rules and procedures proving to be of relevance upon comparison;
- c) examine the guidelines of the sustainability plan and the procedures for implementing them;
- d) monitor the implementation of sustainability plan approved by the Board of Directors;
- e) examine the no profit strategies of the company;
- f) monitor, regarding matters of competence, the adequacy of the Code of Ethics and its effective implementation;
- g) express, by request of the Board of Directors, opinions on other matters regarding sustainability;
- h) report to the Board of Directors, at least on a half-yearly basis and no later than the term for approving the annual or interim financial report, about the activity carried out;
- i) liaise with the pertinent corporate structures and bodies in relation to aspects of ethics and sustainability.

It is noted that the duties assigned to the Ethics and Sustainability Committee include supporting the Board of Directors in reviewing and approving the business plan of the company and the Group,

including on the basis of the analysis of topics relevant to the generation of long-term value.

During the period, the Ethics and Sustainability Committee held 7 meetings, with an average duration of 1 hour 52 minutes, mostly attended by its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

In 2022, as at the date of this Report, the Committee had met on two occasions.

In 2021, the Ethics and Sustainability Committee:

- received an update on the progress of Acea's 2021 Diversity and Inclusion plan aimed at consolidating Diversity and Inclusion actions to promote a shared corporate culture;
- was updated on the project on sustainability in the supply chain, by adding a sustainability indicator to the vendor rating model;
- was periodically informed on actions implemented by Acea to deal with the health emergency in terms of safety;
- received an update on the sustainability initiatives, events and projects implemented by the Company;
- to the extent of its responsibility, examined and shared the process that led to the definition and identification of the corporate scope for the non-financial consolidated statement for the financial year 2021;
- acquired information from the relevant structures on the evolution of the GRI Standards and evaluation of the applicability of the new standards for the non-financial reporting cycle for financial year 2021;
- examined the interim report from the Ethics Officer, which serves to monitor compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, customers and all stakeholders, with regards to notifications received on presumed violations of the Ethics Code the law, internal regulations governing Group activities and any other conduct in violation of the behavioural principles established by the Acea Group (whistleblowing system);
- was informed about the activities implemented by the Company with reference to the Carbon Disclosure Project.

The Board of Directors confirmed the allocation of an annual budget for 2022 of € 25,000.00 (twenty-five thousand point zero zero) for the Committee.

It is noted that the Ethics and Sustainability Committee is also responsible for supporting the administrative body in the review and approval of the business plan of the company and the Group, including on the basis of the analysis of topics relevant to the generation of long-term value.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISKS COMMITTEE

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, consists of all the people, tools, organisational structures, rules and regulations aimed at enabling the Acea Group to be managed soundly, correctly and consistently with corporate objectives, through an adequate process of identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success, the structuring of adequate information flows to ensure the circulation of information and the coordination of the various players in the Control System.

This system is constantly reviewed and updated through specific projects aimed at increasing its integration into the more general organisational and corporate governance structures adopted by Acea, aligning it with the recommendations of the Code, adopted by the Board of Directors on 16 December 2020, and the best national and international practices.

The definition of an adequate SCIGR contributes to a healthy, legitimate and consistent management of the company through the making of informed decisions compatible with the risk appetite defined by the Board of Directors, and helps to ensure the protection of the company's assets, the efficiency and effectiveness of processes, the reliability of the information provided to corporate bodies and the market and compliance with laws, regulations, the Articles of Association, the Code of Ethics and internal procedures, thus constituting a fundamental prerequisite for assessing the adequacy of the Company's general organisational, administrative and accounting structure.

The "Internal Control and Risk Management Guidelines" ("Guidelines") were approved by the Board of Directors in January 2020, with the aim of:

- providing guidelines for various actors involved in the SCIGR, so as to ensure the main risks impacting the Acea Group are properly identified and adequately measured, managed and monitored;
- identifying principles and responsibilities with regards to governing, managing and monitoring risks linked to company activities;
- establishing control activities at all operational levels and clearly identifying tasks and responsibilities in order to avoid any duplicated activities and ensure coordination between the main subjects involved in the SCIGR;
- defining the architecture of the Control System adopted by the Group, and in particular outlining the stages that make up the definition process;
- defining specific information flows among the various actors of the Control System, through the preparation of a matrix that identifies actors, objectives, frequency and description of the flow as well as the recipients or other actors who are informed based on their role in the SCIGR.

Updating the guidelines is one of the fundamental elements for the definition of the Acea Group's control model aimed at

strengthening and consolidating the culture of control and risk management.

In the second half of 2021, projects were launched to update the Guidelines in view of organisational changes to the corporate context, regulatory changes and the associated best practices.

a. Roles and responsibilities in the Internal Control and Risk Management System

The governance and implementation of the complete SCIGR involves actors with diverse roles within the Company (governance and control bodies, Company departments, management, employees). In line with the recommendations of the Code and the best practices of reference, the Guidelines describe the roles and responsibilities of these actors. For a description of the roles and duties of the main actors, we invite you to refer to the specific paragraphs of this Report (Board of Directors, internal committees within the Board, the Managing Director, the Internal Audit function manager, Risk & Compliance function manager, the Financial Reporting Officer and the Supervisory Body).

Beyond the tasks or responsibilities specifically identified for these actors, the management, the employees and all the people working for Acea, each for their own area responsibility, must contribute to the adequacy and effective operation of the SCIGR. To this end, with the support of specific training, Acea strives to ensure that the management, employees and all people working in the company acquire, each according to their role, all the skills and professionalism necessary to allow an effective operation of the SCIGR.

b. Risk identification, assessment and management

Given the nature of its business, the Acea Group is exposed to various types of risks, therefore to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and Continuous Risk Management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

This combination is designed to ensure effective control of the entire universe of main risks the Group is potentially exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

Group management is responsible for identifying and evaluating risks, on the basis of the guidelines and methodological instruments defined. These activities are done so as to guarantee appropriate responses are suitably defined, to mitigate and monitor risks. The Risk & Compliance function and other second-level control functions for specialised risks provide support throughout the entire risk identification, assessment and management process.

The control activities are wholly or partially integrated into the operations, involve all organisational levels and include a set of various operations, like approvals, authorisations, checks, comparisons, review of operational performance, controls of information systems, controls to safeguard company assets, separation of duties, etc.

Responsibility for controls is divided into three complementary levels:

- the first level of control is aimed at ensuring the proper conduct of business processes through the identification, assessment, management and monitoring of risks, for which it implements appropriate mitigation actions. The responsibility for their execution is generally assigned to the line structures;
- the second level of control is aimed at controlling specific company risks as well as verifying the adequacy and effective operation of the controls in place to manage the main risks. Furthermore, it provides support to the first level of control in defining and implementing mitigation actions for the main risks;
- the third level of control is entrusted to the Internal Audit function and provides independent and objective verification of the adequacy of the design and the effective operation of the SCIGR as a whole.

The activities of the Internal Audit function are regulated by the Board of Directors through the Audit Charter, which defines its purpose, remit, authority, responsibilities and other relevant provisions.

In particular, the Internal Audit function manager is responsible for verifying that the Control System is always adequate, fully operational and functioning. They report to the Board of Directors, they are not responsible for any operational activities and they may have direct access to all information useful for the performance of their duties. They report to the Chairperson, the CEO, the Control and Risks Committee and the Board of Statutory Auditors on the operation, adequacy and effectiveness of the Control System. The Internal Audit function operates on the basis of an Audit Plan, developed on the basis of a structured process of analysis and prioritisation of the main risks, which takes into account the results deriving from the monitoring performed by the company departments responsible for second level controls and any proposals received from Acea Functions/Departments/Operating Segments, as well as any requests from the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body. The Audit Plan is approved annually by the Board of Directors, subject to the favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors and the CEO.

c. Qualifying elements of the Control System

Internal control environment

The foundations of Acea's SCIGR consist of a set of different elements, consistent with each other, which contribute in an integrated manner to establishing the environment Acea's people operate in, directing their activities within their assigned responsibilities and encouraging the taking of conscious decisions aimed at achieving corporate objectives.

Constituent elements of the internal control environment include: the adoption of ethical principles and standards of conduct; the adoption of regulatory instruments; the dissemination of a risk management culture in support of growth; a system of delegations

and powers and the development of the skills of People working in Acea.

Second-level company control functions for particular risk categories

The CEO identified certain corporate functions — including some that are not exclusively dedicated — which identify, measure, manage and monitor specific types of risk connected with the Group's operations.

These centralised controls are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible.

The company structures and the relative risk management models through guidance and/or monitoring activities are summarised below.

- Compliance: Antitrust and Unfair Commercial Practices Model; Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01;
- DPO Office: Group Privacy Governance Model;
- Enterprise Risk Management: analysis of the evolution of the Group's overall risk profile, development of a mitigation strategy and monitoring of its implementation;
- Integrated Certification Systems: Integrated Environment and Safety Management Systems;
- Executive Responsible: Group Management and Control Model pursuant to Italian Law 262;
- Cyber Security: Group Cyber Security Model.

d. Comprehensive assessment of the adequacy of the Control System

For details, see paragraph 4.1 of this Report regarding the Board of Directors.

Main features of the internal control and risk management system in relation to the financial reporting process (art. 123-bis, par. 2, lett. b), TUF)

Introduction

In the Internal Control and Risk Management System, with reference to financial reporting, particular relevance is held by the "Group's Management and Control Model pursuant to Law 262" (the "262 Model"), adopted on the occasion of the updating of the Group's Internal Control System to the requirements of Law 262/2005. In particular, in 2007 Acea began a process of adaptation to the needs expressed by Law 262/2005 aimed at planning an effective system of Internal Control over Financial Reporting ("ICFR"), subject to constant improvement and adaptation to the evolution of the Group and reference best practices, which can allow the Financial Reporting Officer and Chief Executive Officer of Acea to issue the market certifications required by art. 154-bis of the TUF.

The system is defined as all the activities for identifying the risks/controls and for defining specific procedures and tools adopted by Acea to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial information.

The Model 262 defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The Model 262 is developed on the basis of the fact that the ICFR

must be a part of the broader Internal Control and Risk Management System and an essential element of Acea's Corporate Governance, and that the credibility of the information disclosed to the market on the Company's situation and results is a fundamental element for all the stakeholders.

On 15 May 2019, the Board of Directors approved the "Management and Control Model of the Acea Group pursuant to Italian Law no. 262/05", which consists of documentation that defines the founding aspects of the system. In detail:

- **Financial Reporting Officer Regulation:** defines the figure of the Financial Reporting Officer and governs their activities based on that established in the Articles of Association and applicable laws, as well as regulating their relations with internal and external stakeholders.
- **Periodic internal reporting of the Acea Group:** governs the internal information flows for the Acea Group (internal certifications) that allow the Acea Financial Reporting Officer and CEO to issue certifications pursuant to art. 154-bis of the TUF. The document includes the new Letter of Internal Declarations structure.
- **262 Management and Control Model:** defines the guiding principles and methodological approach for the establishment, assessment and maintenance of the Control System that oversees the preparation of the financial statements and illustrates the main components of the 262 Framework adopted by the Acea Group.

In addition to the three documents mentioned above which constitute the 262 Model, the Internal Control System for Financial Reporting is also regulated by the following documents:

- Group Accounting Standards Manual,
- Guide to the Closing of the Consolidated Financial Statements,
- Checklist for the collection and processing of accounting data at the end of the period.

When defining its 262 Model, Acea took inspiration from the principles of national and international best practices such as the CoSO Report³. In the context of the methodology defined by the CoSO Report, the analysis was conducted on two different levels: the Entity Level analysis, and the Process Level analysis.

This approach is consistent with the Guidelines published by Confindustria and ANDAF for the performance of the duties of the Financial Reporting Officer, with the Framework presented in the Research document Assirevi no. 131-ter, and with national and international best practices (e.g. Models for adjustments to the Sarbanes Oxley Act).

Description of the main features of the internal control and risk management system in relation to the financial reporting process

The Model 262 defines the guidelines of reference for creating and managing the Internal Control System for Acea Financial Reporting and for its consolidated companies of relevance to Financial Reporting ("relevant companies"), regulating the main steps and responsibilities.

a) Phases of the Internal Control and Risk Management System in relation to the financial reporting process

Defining the scope of analysis. Every year Acea updates the scope of analysis of the system of administrative-accounting controls and of the monitoring of the underlying processes, to guarantee that the risks relating to the financial reporting of the more significant accounting items within the consolidation perimeter are covered.

The scope of the analysis is initially determined by the contribution of each major company of the Group on the consolidated financial statements, taking into account the relevance for the same of the associated significant accounts and administrative-accounting processes; successively, the results of the analysis are integrated by considerations of a qualitative nature to take into account both the Group's structure and the features of specific financial statement items.

Entity level analysis. The Entity Level Controls analysis considers the cross-cutting and infrastructural aspects of the Internal Control System, which mainly concern the corporate governance measures taken by the Company's administrative boards and management.

The identification of Entity Level Controls was conducted on the basis of the CoSO Report which represents the reference Framework for the assessment of the Internal Control System, duly adapted to the characteristics of the Group. The methodological approach defined by the CoSO Report establishes 17 core principles associated with 5 typical components of a control system (control environment, risk assessment, control activities, information and communication, and monitoring activities) which are interconnected and deeply integrated in management processes.

The 17 principles of the CoSO Report are reflected in the Entity controls implemented by Acea, in order to identify the organisational and legislative tools adopted that comply with these principles.

Analysis of process risks and controls. The approach adopted by Acea makes it possible to identify and assess the risks and key controls deemed significant for the consolidated financial statements. To this end, processes are analysed according to the following stages:

- breakdown of the process into sub-processes and activities;
- identification of responsibilities (process & risk owner, control owner);
- identification and assessment of inherent risk, not taking into account the existence and effective implementation of specific control techniques intended to eliminate the risk or reduce it to an acceptable level;
- identification of existing controls and their assessment to identify the key controls i.e., those deemed most effective and efficient in guaranteeing that material errors in financial disclosures are prevented or promptly identified;
- assessment of residual risk, after controls, based on the characteristics of the control (detective vs. preventive and automatic vs. manual) and the adequacy of the same in terms of design;
- identification of any areas for improvement.

³ The CoSo Report (Committee of Sponsoring Organizations) issued by the Treadway Commission defines the Internal Control system as the combination of the following elements: Control environment, Risk assessment, Control activities, information and communication, and monitoring activities.

The output of the process analyses is represented by the risk and control matrix, which represents the administrative and financial procedures.

Monitoring. The successful implementation of controls in administrative and financial procedures, ascertained by the process and risk owner and the control owner as part of the Group's internal certification process, is corroborated by the implementation of an independent test plan defined by the Financial Reporting Officer, aimed at ensuring that the controls are effectively implemented and are effective to the pursuit of the target. Considering the Risk-Based approach, the test plan is defined on a three-year basis, with the aim of evaluating all of the Key Controls identified in administrative and financial procedures.

The tests are carried out with the support of the Acea Internal Audit department and leading consultancy firms.

The Financial Reporting Officer implements a process for sharing and circulating the results of the test activities, so that the managements of reference can put into practice the necessary corrective action in their own structures.

Group internal certification process. The information contained in the administrative and financial procedures, prepared during the process level analysis phase, and the Entry Level Controls implemented by Acea in the entity level analysis phase, are validated by the process & risk owners of the Group's operating companies and by the managers of Acea's departments/functions through the Group internal certification process.

In fact, considering the nature of the Group's business consolidation and the consequent legal requirement to produce consolidated financial statements and issue the relative statements to the Market, it is necessary to coordinate effective information flows to Acea. This coordination is based on the internal "chain" certifications issued by the parties involved on various levels in company processes and in the entity level controls.

The information communicated to the Financial Reporting Officer via the internal "chain" certifications is summarised in the Group Internal Certification Statements, which contain the following information:

- assessment of the design and operation of the controls defined in administrative and financial procedures;
- application of appropriate measures/control procedures able to guarantee the adequacy and operation of the internal control system on financial reporting;
- any critical issues identified by the checks as well as the relative action plan;
- application of the reporting standards in force for the preparation of the Group reporting package and description of the main risks as defined in the Report on Operations;
- reasonableness of the assessment methods and significant assumptions used to determine estimates;
- absence of any significant events after year-end;
- knowledge of cases of fraud or suspected fraud.

Corrective Action Plan. If, on the basis of the analyses carried out by the business lines, the controls are found to be absent, not documented or not carried out correctly according to the company's procedures, the manager of the organisational unit concerned, up to the level of the Delegated Administrative Bodies for the companies of the Group, defines and implements a remedy plan with indication of the timing and responsibilities for the execution of the

corrective action. The corrective action plan is submitted to the Financial Reporting Officer, for comprehensive evaluation of the system and coordination of the activities to be implemented, and is updated every six months by the relevant entities.

Comprehensive evaluation. The Group internal certification process authorises the Acea Financial Reporting Officer and the CEO to issue the certifications pursuant to art. 154-bis of the TUF.

Therefore, the comprehensive evaluation of the Internal Control System on Financial Reporting is based on a complex evaluation process that considers:

- the results of the entity level and process level analyses;
- the internal "chain" certifications issued by the Acea management, by the Delegated Administrative Bodies of consolidated Companies in concert with the Managers of the industrial areas and the head of the Chief Operating Office (where consistent with the organisational structure);
- the results of the tests;
- final analysis of areas for improvement identified, with reference to their significance in financial reporting.

Any important shortcomings that are found are communicated to the control bodies according to the procedures laid down in the Financial Reporting Regulations.

b) Roles and Functions involved

The Model 262 is based on the clear internal attribution of responsibilities in the planning, assessment and maintenance over time of the ICFR, without prejudice to the responsibilities attributed by law to the FRO and to the delegated administrative body. For this purpose, the Group internal certification process aims to ensure the adequate internal formalisation of the responsibilities for the adequacy and effective application of the entity level controls and the administrative and reporting procedures, to monitor the corrective action plan, when necessary, and to immediately detect possible modifications to controls of the business lines and change/risk factors that arise in the course of ordinary process operations that may influence the adequacy of the ICFR.

The evaluation process of the Financial Reporting Officer and the CEO upon which, according to the Consob model, the certification of the financial statements is based, therefore considers the internal certifications issued, in particular, by the Acea department/function managers and, or consolidated companies, by the process & risk owners/the Delegated Administrative Bodies, along with the managers of the industrial areas and the head of the Chief Operating Office (where consistent with the organisational structure).

The 262 Model identifies the main parties involved in the financial reporting process, in addition to the FRO and the delegated administrative bodies, with the relative responsibilities.

The Control Owner is responsible for the execution and certification of the execution of the controls for which they are responsible, according to the procedures and timing laid down by the administrative and accounting procedures, reporting to the Process & Risk Owner, providing the basic information for the certification process.

The process and risk owner is responsible for a related series of activities necessary for achieving a specific control objective, including i) the conduction of an overall assessment of the design and implementation of the control, indicating whether the controls have been adapted to monitor the risks identified and monitored during the

risk assessment, and ii) the responsibility for updating and ensuring the implementation of the corrective action plan.

The 262 Administrative Contact for the company/Acea Function represents the contact person within the Group's relevant companies or within the Acea Function for all the activities necessary to allow the Acea FRO to issue the certification; they are responsible for consolidating all the information received from the process and risk owners and for assembling the overall assessment of the design and implementation of the controls for the company/Acea Function in question, which they then submit to the major company's delegated board of directors: they are also responsible for guaranteeing the information flows to and from the FRO.

The Delegated Administrative Body of relevant companies is responsible for evaluating the design and functioning of controls for the relevant company and for sending the internal certification letter to the FRO, using the established format, together with the duly validated Corrective Action Plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.

Acea department/function managers are responsible for evaluating the design and functioning of entity level controls for the relevant department/function and for sending the internal certification letter to the FRO, using the established format, together with the duly validated corrective action plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.

Finally, with reference to the other governing and internal and external control bodies for the Group, Acea has established a process to exchange information, to and from the FRO, structured and modulated to foster as broad an overall view as possible of the internal control system on the part of said bodies.

10.1 CHIEF EXECUTIVE OFFICER

The Acea Board of Directors has identified the Chief Executive Officer as the director appointed for the institution and maintenance of an effective Control System and has conferred mandate to the same to implement the Guidelines.

In 2021, the CEO – with the support of the ERM unit within the Risk & Compliance function and of the information coming from the second level controls on specialised risks – identified the main business risks, taking into account the characteristics of the activities carried out by Acea and its subsidiaries, and submitted them to the Board for examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the Internal Control System through the relevant structures and the constant monitoring of the overall adequacy, effectiveness and efficiency.

He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.

The CEO may request the Internal Audit function, notifying the Chairperson of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors, of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.

The Chief Executive Officer also promptly informs the Control and Risks Committee and the Board of Directors of problems and critical situations that arise in the performance of their activities or which come to their knowledge.

10.2 CONTROL AND RISKS COMMITTEE

The Control and Risks Committee was established to assist the Board of Directors, ensuring the latter adequate preliminary investigation and support in the assessments and the decisions related to the Control System, as well as related to the approval of the financial and non-financial reports.

As of the date of this report, the Control and Risks Committee consists of four non-executive directors, of whom the majority are independent, specifically: Liliana Godino (Chairperson, independent), Massimiliano Capece Minutolo Del Sasso, Giacomo Larocca and Giovanni Giani.

The Committee possesses appropriate expertise in the business sectors in which the Company operates such to enable the effective evaluation of the relative risks. The Board of Directors recognised that Liliana Godino meets the requirement of adequate knowledge and experience in reporting and financial matters and risk management.

The Committee's secretariat duties are performed by the Board of Director's Secretary or by another subject chosen by the Committee itself.

The Committee carries out its inquiries and issues opinions to the Board of Directors regarding:

1. the definition of the Guidelines for the Internal Control and Risk Management System, so that the main risks that may impact Acea and its subsidiaries – including the various risks which may become significant with a view to medium-long term sustainability – are correctly identified, and adequately measured, managed and monitored;
2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least once a year, of the adequacy of the SCIGR in respect of the Company's characteristics and the risk profile adopted, as well as the effectiveness of the said system;
4. the appointment and revocation of the Internal Audit function, defining the remuneration thereof in line with company policies as well as the adequacy of the resources assigned to the function;
5. the approval, at least once a year, of the work plan drawn up by the Internal Audit function manager;
6. the assessment, having consulted with the Board of Auditors, of the results explained by the statutory audit in a letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
7. a description, within the annual report on corporate governance, of the main features of the SCIGR and the methods of coordination among the persons involved therein, expressing its opinion on the overall adequacy of the same.

Additionally, the Committee assists the Board of Directors by:

- evaluating, having consulted with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, of the proper use of accounting standards and their uniformity relative to preparation of the Consolidated Financial Statements;
- evaluating the capacity of the periodic financial and non-financial reporting to correctly represent the business model, the company strategies, the impact of its business and the performance achieved, in coordination with the Ethics and Sustaina-

bility Committee;

- evaluating, together with the relevant Acea function, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards adopted for the purposes of preparing the non-financial declaration pursuant to Italian Legislative Decree 254/2016;
- supporting, through adequate research, the assessments and decisions of the Board of Directors with regards to management of risks deriving from prejudicial events of which the Board of Directors has become aware;
- expressing opinions to the Board of Directors on specific aspects inherent to the identification of the main risks for the company;
- reviewing and evaluating the reports prepared by the FRO and expressing an opinion to the Board of Directors regarding the adequacy of the powers and means assigned to the FRPO and the effective application of administrative and reporting procedures, to enable the Board to exercise its supervisory duties provided for by law;
- monitoring, for matters within its competence, the adequacy of the Code of Ethics and its effective implementation;
- examining periodic reports evaluating the SCIGR and those of particular significance prepared by the Internal Audit function;
- monitoring the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- requesting, where required, the Internal Audit function to carry out audits in specific operational areas, duly notifying the Chairperson of the Board of Statutory Auditors, Chairperson of the Board of Directors and the Director assigned to the Control System, with the exception of cases in which the subject matter of the audit request specifically concerns the activity of such subjects.

The Committee reports to the Board, at least every six months, at the approval of the annual and half-yearly financial report, regarding the activity performed as well as the adequacy of the SCIGR and, at least once a year, assesses its own size, composition, function and independence with respect to the assigned duties.

In 2021, the Committee met on 11 occasions, with an average duration of 2 hour and 53 minutes, with the minutes duly recorded and characterised by the regular attendance of its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

As at the date of this report, 2 meetings have been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The meetings were also attended, at the invitation of the Chairperson of the Committee, by company department representatives to illustrate certain items on the Agenda, and their attendance was notified in advance to the Chief Executive Officer.

In 2021 the Committee performed the tasks reserved to it by the Corporate Governance Code and, in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments related to the control system, and those related to the approval of the periodic financial reports;
- it examined the process used to prepare the Non-Financial Statement relative to financial year 2021, as well as progress in assurance activities with regards to the document by the auditing firm PricewaterhouseCoopers;
- it shared, with the competent corporate functions, the various

stages of the process to define the Non-Financial Statement for 2021; in this regard, it was informed on the evolution and evaluation of applicability of the new GRI standards for the non-financial reporting cycle for the 2021 financial year;

- it evaluated, after consulting with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards and their homogeneity relative to preparation of the Consolidated Financial Statements;
- it expressed a favourable opinion on the Internal Audit's Plan, prior to its presentation to the Board for approval;
- it examined the periodic reports from the Internal Audit function regarding progress with the Audit Plan, the results of individual audit activities, implementation status for improvement actions established by management with regards to issues identified (monitoring and follow-up) and evaluations regarding the appropriateness of the SCIGR issued by the Internal Audit Function Manager;
- it monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- it examined and assessed the Reports prepared by the Financial Reporting Officer and the action plan regarding the adequacy of the powers and means assigned to the same Officer and on effective compliance with administrative and accounting procedures;
- it expressed a favourable opinion on the "Policy for the management of relations with Institutional Investors, Shareholders and Bondholders of Acea" prior to its presentation to the Board of Directors for approval;
- it expressed a favourable opinion on the new Internal Group Regulatory System and, in line with the provisions therein, on the subsequently prepared Governance/Compliance Guidelines;
- after the emergency caused by the Covid-19 pandemic, it was informed about the actions implemented by the Company to deal with the emergency and guarantee compliance with the restrictive measures imposed to protect public health;
- it reported to the Board, at least once every six months, at the time of the approval of the annual and interim financial reports, on the activity it performed and on the adequacy of the Internal Control and Risk Management System.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.

The Board of Directors confirmed the allocation of an annual budget for 2022 of € 25,000.00 (twenty five thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

10.3 THE INTERNAL AUDIT FUNCTION MANAGER

On 22 January 2019, the Board of Directors, on the proposal of the Chief Executive Officer, with the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors, resolved on the appointment of Mr. Simone Bontempo as Manager of the Internal Audit function from 1 February 2019 and defined his salary, in accordance with the Company's policies.

On the proposal of the Chief Executive Officer, after receiving the favourable opinion of the Control and Risk Committee, as well as

after consulting the Board of Statutory Auditors, the Board of Directors ensures that the Internal Audit Function Manager is provided with adequate resources to carry out the responsibilities assigned to them.

The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit Function's mission and activities, according to which this Department has a central role in the coordination of the SCIGR. The Internal Audit function manager is required to verify the operation and adequacy of the SCIGR and the consistency with the relative guidelines by means of verifications, both continuously and in relation to specific needs, on the operations and suitability of the Control System and the support of the Chief Executive Officer in the activities to identify and establish the priorities of the main risks to which Acea and its subsidiaries are exposed.

At its meeting on 12 May 2021, the Board of Directors approved the Internal Audit function's work plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.

The Internal Audit function manager in office had direct access to all useful information for the performance of his mandate, had no responsibility for operational areas, nor is he hierarchically subordinate to the managers of the operational areas and reported directly to the Board of Directors.

During the financial year the Internal Audit function, performing its duties as described, carried out the following activities:

- a) it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the operativity and the suitability of the Control System, through the activity plan of the Internal Audit function approved by the Board of Directors;
- b) it carried out additional audits with respect to the Audit Plan, requested by top management and the control bodies;
- c) it prepared reports after individual audits and requested the competent functions/companies, when necessary, to draw up action plans for overcoming the critical issues found, monitoring the implementation and reporting the results to the Control and Risks Committee;
- d) it constantly informed, by means of drawing up specific reports, the Chairperson of the Board of Directors, the Chief Executive Officer, the Control and Risks Committee about the activities carried out and related results; it drew up reports on significant events at the request of the Chairperson of the Board of Directors and the CEO;
- e) within the sphere of the Audit Plan, it verified the reliability of the information systems, including those of accounting disclosure;
- f) it supported the Acea Supervisory Body and those of the subsidiaries in the audits pursuant to Legislative Decree 231/2001;
- g) it monitored initiatives for overcoming anomalies found in the implementation and functioning of the controls, also through follow up activities;
- h) supporting the Ethics Officer, it collected and processed, following the guidelines defined in the whistleblowing procedure, reports received relating to cases of alleged violations involving failure to comply with the law, internal regulations and the Code of Ethics;
- i) it internally assessed the compliance of available resources and of the methodology adopted by the Internal Audit function in the execution of its activities with regards to the Internal Pro-

fessional Practice Framework issued by the Institute of Internal Auditors;

- j) it drafted the final report in which it gave an assessment of the suitability of the Control System and sends it to the Chairperson of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors, as well as the Chief Executive Officer.

10.4 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

With the adoption of the Organisation, management and control model pursuant to Italian Legislative Decree 231/2001, Acea holds it has complied with the provisions of the law, the principles inspiring Legislative Decree 231/2001 (the "Decree"), the Code and the recommendations issued by the supervisory and control authorities, with the aim of strengthening the control and Corporate Governance systems, in particular to prevent the predicate crimes of the Decree.

With the adoption of the MOG, Acea has set itself the following goals of a general nature:

- to achieve awareness of the activities that present a risk of offences under the Decree (risky activities) and awareness on the part of the addressees of the rules (methods and procedures) that discipline the risk activities;
- the circulation, personal acquisition and concrete affirmation of a corporate mentality based on legality, in the awareness of the Company's express disapproval of any behaviour contrary to law, the self-regulating provisions, the indications of the supervisory and control authorities and internal provisions;
- the dissemination, personal acquisition and concrete affirmation of a control culture, to safeguard the achievement of objectives;
- the circulation, personal acquisition and concrete affirmation of a mentality of control, which must govern the pursuit of objectives; implementation of a structured system of procedures and controls that reduces the risk of committing crimes referred to in the Decree and of offences in general.

In relation to the various types of crime contemplated by Legislative Decree 231/01 and the relative sensitive activities, the MOG identifies functional and instrumental company processes, within the areas at risk of crimes, also referencing the general and specific safeguards which characterise the internal control system and which, consequently, recipients must carry out when performing their duties.

After its first approval in May 2004 by both Acea and its subsidiaries, the MOG was continually updated following the introduction of new predicate crimes within the catalogue of offences referred to in the Decree, of the evolution of case law, as well as changes in the company's organisation.

The current MOG was updated to take into account fiscal offences and the PIF Directive and was approved by the BoD of Acea at the meeting of 15 December 2021. The general section of the MOG (which illustrates the principles of Italian Legislative Decree no. 231/01, the Acea internal control system, the methodology used to prepare the Model, the establishment and role of the Supervisory Body, the Whistleblowing system and the disciplinary system), is

available on the company website at www.gruppo.acea.it, under the “Governance” section.

The Supervisory Body set up pursuant to art. 6, para. 1, lett. b) of Italian Legislative Decree no. 231/2001 is the body that has full and autonomous powers of initiative, action and control regarding the proper functioning, effectiveness and observation of the MOG.

The SB supervises the effectiveness and adequacy of the MOG, monitoring its state of implementation and proposing any necessary updates to the Board of Directors. It must also report to Acea’s competent bodies any breaches of the MOG, ascertained or subject to pending investigations, which could lead to liability bearing on the Company.

With regard to the composition of the SB, a collegial body is appointed by the administrative body, with two external members, one of which is the Chairperson, who are experts on internal control and corporate criminal liability, as well as an internal member represented by the Internal Audit function manager.

The current Supervisory Body, appointed by the Acea Board of Directors at the meeting of 16 December 2020, will remain in office until the approval of the financial statements subsequent to those whose approval will coincide with the expiry of the current Board of Directors or, in the case of early expiration of the latter, will remain in office for 3 years.

The Board of Directors provides the SB with a specific annual budget of € 25,000.00 (twenty five thousand and zero cents), it being understood that, pursuant to that established in the Acea MOG, the Board of Directors ensures the SB has financial resources available to it for all requirements linked to the proper execution of its responsibilities, in order to guarantee and make concrete its autonomous “power of initiative and control”, which the Decree recognises it.

10.4.1 Code of Ethics

With the Code of Ethics, adopted by Acea as early as 2001 and modified in the current version during 2018, Acea affirms and explicates the values, principles and behavioural standards that underlie its actions and those of its internal and external stakeholders. Observance of these values is deemed of fundamental importance not only for achieving business development and efficiency objectives, but also to guarantee correctness and transparency in company practices, as well as reliability and reputation for the Company and persons operating on their account.

Specifically, the Code sets out the general ethical principles that all company practices must be linked to, specifying the criteria of conduct towards each category of stakeholder and defining the mechanisms for implementing the principles and controlling the behaviour of the people who work in the Company’s interest.

The Code of Ethics is therefore a fundamental element in the control environment of Acea, which circulates the knowledge thereof among personnel, both upon recruitment and in cyclical training activities, also carried out in e-learning mode. Compliance with the Code of Ethics is explicitly required of employees, suppliers and all those contributing in the Company’s activity (advisors, collaborators, etc.).

By resolution of their Boards of Directors, the subsidiaries transpose the Acea Code of Ethics, which forms an integral part of the organisational and management models as per Legislative Decree 231/2001.

In the second half of 2021, projects were launched to update the Code of Ethics in view of the organisational and regulatory changes that had developed since it was last approved. The principles and core values of the Acea Group, which already represent a key asset

for the company, were revised to ensure their alignment with the evolution of civil awareness, the corporate context and the regulations relative to the Code.

In implementing the principles of the Code of Ethics, Acea has adopted a specific procedure to receive, analyse and process notifications of presumed violations of the Code of Ethics and the Organisation and Management Model pursuant to Legislative Decree 231/01, which ensures confidentiality and protects good faith whistle-blowers.

In compliance with regulatory provisions, in addition to traditional notification channels Acea has adopted a dedicated IT platform, through which internal and external entities can send notifications of suspect phenomena or behaviour, of irregularities in business actions, events or facts which could constitute a violation of internal or external norms, for Acea and its subsidiaries, with the maximum guarantee of confidentiality.

Responsibility for managing notifications and for monitoring compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, clients and all stakeholders is entrusted to a collegial body called Ethics Officer (for more information see paragraph 10.6.2).

10.5 INDEPENDENT AUDITOR

Pursuant to art. 22 bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company’s financial statements and the consolidated financial statements of the period. The Shareholders’ Meeting called to approve the financial statements for the year ended 31 December 2016, held on 27 April 2017 in conformity with the provisions of law, by recommendation of the Board of Directors, with recommendations from the Board of Statutory Auditors, conferred PricewaterhouseCoopers SpA the assignment of auditing the Company’s financial statements and the consolidated financial statements for a term of nine financial years – specifically 2017-2025, in other words until the approval of the financial statements of the last year of the said mandate – and established the relative fees.

In the performance of its activity, the independent auditing firm had access to the company’s information and data, in both documentary and electronic format, its archives and assets and those of its subsidiaries.

For information on the provisions of Recommendation 33, letter f) of the Code, please refer to paragraph 4.1 of this Report.

10.6 THE FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

10.6.1 The Financial Reporting Officer

At its meeting on 29 May 2020, the Board of Directors resolved to appoint Fabio Paris, formerly the Manager of the Administrative, Planning and Control Office, as the Financial Reporting Officer for Acea, pursuant to art. 154-bis of Italian Legislative Decree

no. 58/1998, who subsequently, with the Board resolution dated 17 June 2020, also took on the position of Finance and Control Administration Director for Acea.

As required by the Articles of Association, the Financial Reporting Officer has a number of years of experience in the performance of managerial duties in administration and control activities at capital companies of significant size and is responsible for establishing and maintaining the Internal Control System regarding Financial Statements and to issue a specific certificate according to the model published by Consob, together with the CEO.

The figure of the Financial Reporting Officer, introduced by Law 262/05, was adopted by Acea with an amendment to the Articles of Association of 13 November 2006, which requires this figure to be appointed by the Board of Directors.

In line with the provisions of art. 22-ter of the Articles of Association of Acea and the Regulation of the FRO, the FRO is vested with the following powers and means:

- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an administrative and accounting nature that may facilitate the evaluation of the design and operation of the control system that oversees the process to prepare the financial reports and the consolidated financial statements, including interim reports;
- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an operational nature regarding events that may in any way significantly influence the performance of the Company and the Group;
- to access the data of the Acea departments and functions as well as those of Group companies, the archives and the company assets whenever deemed necessary;
- to propose, to the Board of Directors and to the Delegated Administrative Body of Acea, guidance aimed at all companies included with the scope of consolidation of the Group on the methodologies to be applied, as well as on the organisational structure of the administrative and control system;
- to draft, with the support of the Organisation and Governance Process Office and the operational departments, the company procedures regarding processes, including those of a cross-cutting nature, associated with the areas under the direct control of the Financial Reporting Officer;
- to propose changes to company processes and procedures for which the Financial Reporting Officer is not the process owner, including IT processes, which have an indirect impact on the preparation of the financial statements;
- to conduct controls on any company process that has a direct or indirect impact on the preparation of the financial statements;
- to analyse the design of the Group internal control system and, in particular, the general entity level controls;
- to request assistance from other company functions and qualified external consultancy firms for the performance of risk assessments and to evaluate the design and functionality of the controls in place;
- to request certifications regarding the correct application of company procedures and their functionality in the reference period from other Acea functions and Group companies;
- to request changes to the Internal Control System on Financial Reporting (understood as the combination of people, tools, information and rules established to mitigate risks) of Acea and of the companies included within the Group's scope of consolidation;
- to act with financial independence and to operate in accordance with the general guidelines of the Company and in line with

existing procedures, shared by the Financial Reporting Officer with the Delegated Administrative Body at the approval of the annual budget.

Pursuant to art. 154-bis of the TUF, the Board of Directors ensures that the Financial Reporting Officer has adequate powers and means to perform the tasks assigned to him or her, as well as effective compliance with the aforementioned procedures.

At the meeting held on 14 March 2022, the Board of Directors confirmed the adequacy of the powers and means available to the Financial Reporting Officer, as well as compliance with the administrative and accounting procedures prepared thereby.

10.6.2 Ethics Officer

The Ethics Officer is the Group's collegial body with the responsibility for managing the system of reporting alleged violations for non-compliance with the law, internal regulations and the Code of Ethics (Whistleblowing System), as well as monitoring compliance with the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders. Its responsibilities also include promoting communication programmes and activities intended to further disseminate the principles of the Code of Ethics within the companies of the Group, as well as any updates made to the Code of Ethics, and issuing guidelines and operating procedures to reduce the risk of violations of the Code.

The Ethics Officer is composed as follows:

- External component (Ethics Officer coordinator);
- Risk & Compliance Function Manager for Acea SpA;
- Human Resources Department Manager for Acea SpA;
- Internal Audit Function Manager for Acea SpA.

The Ethics Officer makes use of support from a Technical Secretariat consisting of the Acea Internal Audit Function, to carry out its tasks and to send to the CEO and to Acea's control bodies (Control and Risk Committee, Ethics and Sustainability Committee, Board of Statutory Auditors and Supervisory Board) periodic reports on the notifications received, the studies carried out and the initiatives agreed to in the field of training and communication.

10.6.3 The Risk & Compliance function

In consolidating the governance and management tools of the SCI-GR, the company integrated the Risk & Compliance Function into the Group's macrostructure with a view to:

- planning, implementing and monitoring the Group's Risk Governance model, identify, describing and measuring the main risk factors that could compromise the achievement of the Group's strategic and business objectives, defining and proposing risk management and mitigation policies, guiding the implementation and evolution of the Group's Enterprise Risk Management (ERM) framework;
- guaranteeing the effective and continuous implementation of the ERM process, also by coordinating and cooperating with other internal control structures, and ensuring reporting is provided to senior management and corporate and control bodies on the evolution of the Group's overall risk profile, possible impacts on strategic and business objectives and on the implementation and monitoring of actions to respond to risks;
- serving a preventive and proactive role in the before the fact assessment of non-compliance risks for company actions relative to reference regulations (antitrust, Legislative Decree 231/2001, environment, anti-corruption. etc.), examining the efficacy of processes with the objective of preventing violations

of norms and rules, both internal and external, and suggesting, in the case of discrepancies, the most appropriate solutions;

- assessing the most appropriate measures to incorporate compliance requirements into the current privacy legislation for business processes, developing proposals and actions for changes and updates to policies, procedures and security measures, and verifying the actual effective implementation of the governance policies for the risks related to the processing of personal data;
- guaranteeing the definition, implementation and control over implementation of quality, environmental, safety and energy policies, in order to ensure QASE certification is obtained and maintained for the relevant processes;
- ensuring the design, implementation, monitoring and updating of the risk management system relating to processes and the Group's governance model, in line with current regulations and best practices for the sector/market;
- guaranteeing alignment of governance tools to the Group's operating model, ensuring the adequacy of the company's procedural and regulatory system and verifying the consistency of the same for the purposes of proper functioning of the Governance structure.

10.7 COORDINATION AMONG SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to allow the various subjects involved in the SCIGR to adequately perform the role assigned in relation to such system, specific informatory flows are defined among the various levels of control and the competent management and control bodies, duly coordinated in terms of content and timing.

Acea's Guidelines contemplate the definition of a series of activities for the coordination between the various subjects involved in the Control System, in order to ensure continuous monitoring of the adequacy and its operation, and to facilitate the efficient exchange of information. These methods briefly consist of:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control System;
- coordination meetings and joint meetings between the Board of Statutory Auditors, Control and Risk Committee, audit firm, Financial Reporting Officer and the Internal Audit Function Manager;
- structured information flows between the second level control entities, top management, the Internal Audit function, the Risk & Compliance function and the control bodies;
- communication flows between the Internal Audit function and the Risk & Compliance function to support the specific activities of competence. In particular, the Risk & Compliance function informs the Internal Audit function about the main corporate risks useful for preparing the risk-based Audit plan proposal and receives the results of the internal audit activities where relevant to performing its task;
- structured information flows between the Supervisory Bodies of Acea's subsidiaries and the issuer's Supervisory Body;
- periodic reports to the Board of Directors;
- support from the Internal Audit function for Acea Supervisory Body activities and for those of the subsidiaries;
- communication flows within each Group company between the Board of Statutory Auditors and the Supervisory Body;
- information flows between the Board of Statutory Auditors and the Control and Risks Committee for the exchange of information necessary to the completion of the respective duties.

11. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

Prior to discussion on each item on the agenda during the board meeting, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.

With regard to related party transactions, the Procedure for Related Party Transactions ("RPT Procedure") defined pursuant to article 2391-bis of the Civil Code was adopted in compliance with the principles established by the RPT Regulation, and was last amended by the Board of Directors on 21 June 2021, effective from 1 July 2021.

The RPT Procedure applies to transactions conducted directly by Acea, or by its direct or indirect subsidiaries, with related parties.

Based on amount, transactions are divided up as follows:

- transactions of Major Relevance: transactions in which at least one of the indices of relevance, indicated in Annex 3 of the RPT Regulation, is above the threshold of 5%, which must be approved by the Acea Board of Directors;
- transactions of negligible amount: transactions for which the value, calculated on the basis of the indicators set out in Annex 1, does not exceed, in relation to the described type of transaction, the following thresholds:
 - 1) Natural Person:
 - 1.a) € 30,000 for sponsorships and other similar initiatives;
 - 1.b) € 150,000 for the remaining types of transactions.
 - 2) Legal Entity:
 - 2.a) € 120,000 for sponsorships and other similar initiatives;
 - 2.b) € 200,000 for the remaining types of transactions;
- transactions of Minor Relevance, which includes all the transactions with related parties that cannot be classified as of major relevance or of negligible amount.

According to the RPT Procedure, before the approval of a transaction with a related party, whether of Major or Minor Relevance, the

Transactions with Related Parties' Committee expresses an opinion on the Company's interest in the execution of the transaction and on the convenience and on the substantial correctness of the related conditions.

As at the date of this Report, the Committee for Related Party Transactions was composed of 3 directors, all of which were independent, specifically Liliana Godina (Coordinator), Massimiliano Capece Minutolo Del Sasso and Giacomo Larocca.

The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.

The works are coordinated by the Coordinator who reports on the activities at the next meeting of the Board of Directors.

The Committee held 9 meetings in 2021, duly recorded in minutes and regularly attended by all the members as well as the members of the Board of Statutory Auditors, with an average duration of approximately 2 hours 24 minutes each.

In particular, in 2021 the Committee:

- updated the RPT procedure in view of the new regulatory provisions on related party transactions;
- conducted preliminary activities for the issue of an opinion of the Committee regarding a transaction with a related party of Acea.

In 2022, as at the date of the Report, no Committee meetings had been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The Board of Directors has confirmed the allocation of an annual budget for 2022 of € 50,000.00 (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

For more information, please refer to the "Governance" section of the website www.gruppo.acea.it.

12. BOARD OF STATUTORY AUDITORS

12.1 APPOINTMENT AND REPLACEMENT

In compliance with the provisions of the law and of the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and two alternative auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, and they can be re-elected on expiry of their mandate.

There must be a gender balance in the composition of the Board of Statutory Auditors, as governed by the applicable laws in force from time to time.

The Board of Statutory Auditors is appointed, in compliance with art. 22 of the Articles of Association, by the methods illustrated in paragraph 4.1 for the appointment of the Directors.

The appointment of the Board of Statutory Auditors is regulated by art. 22 of the Articles of Association, according to which members are appointed on the basis of the lists presented by the Shareholders who - individually or together with other Shareholders - represent, at the date on which the lists are filed - at least 1% of the share capital, or the minimum portion of the share capital determined by Consob pursuant to art. 144-quater of the Issuers' Regulation. In this regard, please note that the portion requested by Consob under Executive Determination no. 60 of 28 January 2022, for the presentation of the lists is 1%.

In particular, half plus one of the standing auditors to be elected will be drawn from the list that has obtained the majority of votes, in the progressive order in which they are placed on the list, rounded down to the nearest whole number in the case of a fractioned number, and one alternative auditor.

For the other members of the Board of Statutory Auditors, the standing auditor and alternate auditor will be respectively those who have obtained the first and second highest quotient in the minority list; pursuant to the combined provision of arts. 15 and 22 of the Articles of Association, in case of equal percentage, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.

The appointment of Auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law. The Chairperson of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

12.2 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. D, TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 17 April 2019 and its mandate will expire on the approval of the financial statements for 2021.

For the appointment by the Shareholders, two lists were presented: i) List no. 1 presented by Roma Capitale with three candidates, Maria Francesca Talamonti, Pina Murè and Maria Federica Izzo, and ii) List no. 2 presented by the shareholder Fincal SpA with two candidates, Maurizio Lauri and Mario Venezia. List no. 1 was voted by 73.59% and List no. 2 by 26.31% of voters.

Please note that the minority list declared the absence of any relationship or connection, including of an indirect nature, with the majority list.

All Auditors declared themselves to meet the requirements of professionalism, integrity and independence required by applicable law and by the Corporate Governance Code.

According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in Table 4, by the individuals below, for which, pursuant to art. 144 - *decies* of the Issuers' Regulation, a short professional description of each is provided:

- Maurizio Lauri, Chairperson.** Born in Rome on 16 August 1962. Degree in Economics from LUISS, Master of Laws (LL.M.) – London School of Economics and Political Science, University of London. He has served as a director, also with top positions, for companies, including listed and public, as well as serving as a member of the control bodies for various companies and non-commercial entities.

A Chartered Accountant and Auditor, he was a member of the Task Force to Establish Behavioural Guidelines for Control Bodies, within the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Chartered Accountants and Accounting Experts).
- Pina Murè, Standing Auditor.** Born in Rome on 16 January 1967. Ordinary Professor of “Financial Intermediary Economics” and “Compliance and Internal Control in Banks” (Specialist Masters' Programme) at the Faculty of Economics at La Sapienza University, Rome. Since 2014, she has been the manager of the Casmef (Centro Arcelli per gli Studi Monetari e Finanziari) Research Centre of LUISS University, a research and consulting project on administrative fines for banks and their effects on performance. During her career she has developed extensive and diverse academic experience as programme director for courses including “Compliance and internal control systems in banks”, “Financial Intermediary Economics”, “Asset Management and Pension Funds”, “Bank Management”, “Financial Intermediary Risk Management”, “Applied Economics of Financial Markets” and “Business Loans” at the faculty of Economics at La Sapienza University, Rome. She is a qualified auditor. She provides consulting services for financial intermediaries and businesses on M&A matters and business strategies, organisation, internal control systems, organisational, strategic and financial restructuring, and provides training for banks and financial intermediaries on organisation, internal control systems, strategic planning, governance and banking regulations.
- Maria Francesca Talamonti, Standing Auditor.** Born in Rome on 05 January 1978. Graduated in Economics and Business at LUISS Guido Carli, PhD in Business Administration from Roma Tre University. She is a member of the Order of Chartered Accountants of Rome and is listed on the Register of Certified

Auditors. Since 2006 she has provided corporate consulting, in particular: company appraisals, preparation of recovery plans and certifications pursuant to art. 67, 182-bis and 161 of the Italian Financial Law, preparation of opinions and technical consulting on accounting and corporate matters. Since 2006, she has considered an expert, with a research grant and various additional teaching contracts at the LUISS Guido Carli, Roma Tre and Unitelma Sapienza universities. She is a member of the administrative and control bodies at both listed and unlisted companies.

- **Mario Venezia, Alternate Auditor.** Born in Rome on 27 June 1957. A Chartered Accountant and Auditor, he is an adjunct professor of business economics at La Sapienza in Rome and a member of the Board of Statutory Auditors for both listed and unlisted companies and on the Supervisory Body.
- **Maria Federica Izzo, Alternate Auditor.** Born in Ascoli Piceno on 27 January 1981. A Chartered Accountant and Auditor, she is an academic, in particular at LUISS University in Rome and at foreign universities. She is the author of several publications, in particular on corporate governance and integrated reporting.

The auditors have been chosen amongst people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them. Soon after her appointment, the Board of Statutory Auditors verified and confirmed that she met the independence requirements envisaged by law and the Code and communicated the result of this verification to the Company's Board of Directors. The outcome of the checks carried out was communicated to the market with a press release.

Subsequently, the Board of Statutory Auditors duly ascertained the existence of the requirements of independence (for more information see paragraph 4 of this Report) pursuant to the law and the Code regarding its effective members, verifying the existence thereof and submitting the outcome of the verifications to the Board.

The Board of Statutory Auditors receives from the administrative body, at the Board of Directors' meetings, information on the activity performed by the Board of Directors, by directly participating in the Board of Directors' meetings and by examination of the material which illustrates the items on the agenda, which it receives

in advance in the same format and within the same terms as the documentation received by the Directors.

With regard to induction, the Chairperson of the Board of Directors ensured that the Statutory Auditors can participate in training initiatives. For more information see the paragraph "Role of the Chairperson of the Board of Directors".

The Board of Statutory Auditors exercises the powers and performs the duties contemplated by the provisions in force. In carrying out its duties, it coordinates with the Internal Audit function mainly through periodic meetings to illustrate the work plan for independent monitoring activities and results of the main actions carried out during the year. It also cooperates with the Control and Risks Committee, by the participation of the Chairperson and/or the Auditors at the meetings.

The remuneration of statutory auditors is commensurate with the commitment required, the importance of the role held and the company's size and sectorial characteristics.

In particular, the Shareholders' Meeting determined the annual lump sum fees due to the Chairperson of the Board of Statutory Auditors and for each Standing Auditor in the amount of, respectively, € 150,000.00 and € 100,000.00, as well as reimbursement of expenses necessary to carry out the role of Auditor.

Each member of the Board of Statutory Auditors is required to promptly and comprehensively inform the other members and the Chairperson of the Board of Directors of the nature, terms, origin and extent of any potential interest in a certain operation of Acea, both on their own behalf or on behalf of third parties.

During the period, the Board of Statutory Auditors held 17 meetings, with an average duration of 3 hours 32 minutes, regularly attended by the statutory auditors.

In 2022, as at the date of this Report, the Committee had met on five occasions.

Diversity criteria and policy

The information regarding the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender balance and professional and educational background pursuant to art. 123-bis, paragraph 2, letter d-bis of the TUF is illustrated in the section of the Report devoted to the Board of Directors (paragraph 4.3).

13. RELATIONS WITH SHAREHOLDERS

Information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. This information is made available in the “Investors” section of the company website www.gruppo.acea.it and is constantly updated.

Acea’s organisational structure includes an Investor Relations & Sustainability Function which reports to the Chief Executive Officer, whose Manager is Stefano Raffaello Songini, The Investor Relations Unit reports to this Function, the manager of which is Elvira Angrisani.

On the approval of the annual, six-monthly and quarterly results of the Business Plan and of the execution of possible extraordinary price sensitive transactions, the Company organises special conference calls/webcasts/presentations with institutional investors and financial analysts. In this context, Acea maintains a dialogue with investors based on the principles of propriety and transparency in compliance with EU and national regulations on market abuse and with international best practices.

In 2021 Acea engaged with approximately 410 Institutional Investors, Analysts and Bondholders through the attendance of several events held virtually due to the pandemic. These included “one on one” meetings and broader presentations promoted by the Investor Relations and Sustainability Function or requested by the Market; Investor Conferences organised by Borsa Italiana and leading Commercial Banks, including events aimed specifically at SRI investors; national and international roadshows; reverse roadshows. Furthermore, conference calls and webcasts were held for the approval of the company’s interim and annual results.

Relations with Shareholders

At the meeting of 10 November 2021, the Board of Directors of Acea adopted the “Policy for the management of relations with

Institutional Investors, Shareholders and Bondholders of Acea” (“Relations Management Policy”), in line with the provisions of Principle 4, Recommendation 3 of the Corporate Governance Code.

Acea believes that promoting constant and constructive dialogue with the financial community can contribute to achieving company goals, strengthening the generation and sharing of value and ensuring the principles of transparency, timeliness, correctness and reliability which are the foundation for all the activities in the Group’s mission.

The Relations Management Policy of Acea defines:

- the topics to be discussed with Institutional Investors/Shareholders/Bondholders;
- the corporate functions and departments responsible for engagement, and the methods and deadlines for reporting to the Board of Directors;
- the channels of communication through which the financial community can engage with the Company (shareholders’ meeting, meetings with analysts, industry conferences, investor days, webcasts, company website, press releases, etc.).

The implementation of engagement activities is entrusted to the CEO and the Chairperson.

The Chairperson periodically reports to the BoD on the development and significant content of engagement activities with the market.

The Investor Relations and Sustainability Function coordinates and manages dialogue with Institutional Investors, Shareholders and Bondholders, operating as a point of contact and an internal link for reactive and proactive engagement.

14. SHAREHOLDERS' MEETING (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. C, TUF)

The regulations governing the operation of the Shareholder's meeting are defined in the Articles of Association of Acea, making reference to applicable law.

In particular, with regard to the methods of convocation of the Meeting, art. 10 of the Articles of Association states that, without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is called by the Board of Directors by a notice indicating the date and place of the meeting and the list of items on the agenda.

The meeting may also be held in a place other than the registered office, as long as the alternative location is within Italy. The relative notice is published on the Company's website, in the Official Journal of the Italian Republic and in the daily newspaper "Il Sole 24 Ore" within the terms laid down by the laws in force, if necessary also calling subsequent meetings.

The Ordinary Shareholders' Meeting must be held at least once a year for the approval of the financial statements within 120 days from the end of the financial period, or within 180 days of the said closure in the case of the conditions contemplated by art. 2364 of the Civil Code, while the Extraordinary Shareholders' Meeting is held whenever it is necessary to pass a resolution reserved to the same by law.

The Shareholders' Meeting, whether ordinary or extraordinary, is also held when requested by as many shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law. In addition, as many Shareholders as represent the percentages contemplated by the laws in force may request, in respect of the terms laid down by the laws in force, additions to the subjects to be discussed, indicating in the request the additional items that they propose. The convocation and the addition of items to the agenda at the request of Shareholders are not admitted on matters on which the Shareholders' Meeting is obliged by law to pass resolutions on Directors' proposals or on the basis of a project or a report prepared by the Directors.

The majorities necessary for the Meeting, whether ordinary or extraordinary, and its resolutions to be quorate are those contemplated by law. In particular, with reference to amendments to the Articles of Association, the Extraordinary Shareholders' Meeting, pursuant to art. 12 of the Articles of Association, will adopt the necessary resolutions with the majorities required by law.

Entitlement to participate in the Shareholders' Meeting and to exercise the right to vote is testified by a communication to the issuer made by the intermediary, in conformity with the accounting evidence, in favour of the subject holding the right to vote, according to the procedures and terms laid down by the laws in force (the so-called record date). Shareholders entitled to participate in the Meeting may be represented pursuant and according to the procedures of law.

As indicated in paragraph 2, letters b) and f) of the Report, the exception of Roma Capitale or its subsidiaries that have become

shareholders, voting rights cannot be exercised, even by proxy, in a measure in excess of 8% of the share capital. For more information on this matter please refer to the aforementioned paragraph 2, letter f) of this Report.

As noted in paragraph 2, letter e) of this Report, pursuant to article 13.3 of the Articles of Association, in order to facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations that meet the requirements contemplated by the relative legal provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies. If a proxy is conferred electronically, according to the procedures contemplated by the regulations in force at any moment, said proxy maybe communicated via the Company's Internet site according to the procedures specified in the notice of convocation.

The conduction of Shareholders' meetings is regulated by law, by the Articles of Association and by a specific Regulation published in the "Shareholders' Meeting" section of the website www.gruppo.acea.it. In particular, article 7.3 of the Regulation concerning the methods in place to guarantee the right of shareholders to take the floor on the topics under discussion, establishes that the request to speak on the individual items of the agenda may presented to the Chairperson of the Shareholders' Meeting from the moment that the Meeting is validly constituted and until the Chairperson of the Meeting declares the discussion on the relative item closed.

In giving the floor, the Chairperson of the Shareholders' Meeting normally follows the order of the presentation of the requests for the floor. Each shareholder may take the floor only once on each item on the agenda, and for no more than ten minutes.

The meeting is chaired by the Chairperson of the Board of Directors or, in the case of their absence or impediment, by another person appointed by the same. In the absence thereof, the meeting elects its own chairperson.

The Chairperson, having been appointed by the meeting, appoints a Secretary, who is responsible for preparing the minutes, to be signed by the Chairperson and the Secretary, which document the resolutions taken by the meeting. In the cases provided for by law or if requested by the chairperson of the meeting, the relative minutes are drafted by a notary.

The Chairperson of the meeting, *inter alia*, verifies that the meeting is quorate, ascertains the identify and legitimacy of those present, regulates the execution of the works and verifies the results of the voting, which must be recorded in the relative minutes.

It is noted that, in consideration of the Covid-19 pandemic and taking into account the legislative provisions issued to contain the virus, at the Shareholders' Meeting of 22 April 2021 the Company exercised the right provided by Decree Law no. 18 of 17 March 2020, converted by Law no. 27 of 24 April 2020 and amended by art. 3, paragraph 6 of Decree Law no. 183 of 31 December 2020, establishing that interventions by entitled parties could take place exclusively through the representative appointed by the Company pursuant to art. 135-*undecies* of the TUF, to which the shareholders

could, by way of exception, confer proxies or sub-proxies also in the forms provided for by art. 135-*novies* of the TUF.

In 2021 the Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of their competence.

The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore, it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the meetings.

The directors who participated in the 2021 Shareholders' Meeting numbered 2.

In the course of the 2021 financial year, the Ordinary Shareholders' Meeting met on 22 April 2021 with the following agenda:

- i) approval of the Financial Statements at 31 December 2020; Board of Directors' Report on Operations and reports of the Board of Statutory Auditors and of the Independent Auditor. Presentation of the Consolidated Financial Statements at 31 December 2020 and information on the consolidated non-financial disclosure under the terms of Italian Legislative Decree no. 254/2016 (2020 Sustainability Report). Resolutions on the approval of the Separate Financial Statements at 31 December 2020;
- ii) resolutions on the allocation of result for financial year 2020;
- iii) approval of the Report on the Remuneration policy and on the fees paid.

15. OTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. A), TUF)

Executive Committee

With a resolution dated 29 May 2020, the Board of Directors established an Executive Committee composed of Giovanni Giani (Chairperson), Michaela Castelli, Giuseppe Gola and Massimiliano Capece Minutolo Del Sasso, to whom the powers relating to institutional affairs, sponsorships and donations have been delegated, to be managed within the budget established by the Board.

It is noted that the Board of Directors, at the meeting of 22 March 2021, resolved to appoint an internal committee - replacing the

aforementioned Executive Committee - known as the Committee for the Region, with an advisory role regarding the assessment and monitoring of the Group's sponsorships and donations and with the aim of strengthening relations with the relative region (for more information see paragraph 6 of this Report).

In 2021, the Executive Committee met 2 times with an average meeting duration of 1 hour.

The attendance of each director at the Committee meetings is detailed in Table no. 3.

16. CHANGES SINCE THE CLOSURE OF THE FINANCIAL YEAR

The changes that have taken place after closure of the period until this day are described in the specific sections.

17. CONSIDERATIONS ON THE LETTER OF 3 DECEMBER 2021 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

On 3 December 2021, as part of the monitoring of the implementation of the Code by issuers, the Chairperson of the Corporate Governance Committee sent a communication that identifies a series of areas where it would be best to improve compliance with the recommendations of the Code itself.

At the meeting on 3 February 2022 the Company's administrative body examined the text of the letter and the points made, and with the support of the relevant corporate functions it noted that, without prejudice to further improvements, Acea's Corporate Governance system is substantially aligned with the indications contained in the letter.

The pertinent recommendations made in the letter were also submitted to the Control and Risks Committee at the meeting of 1 February 2022, and to the Acea Board of Statutory Auditors at the meeting of 16 February 2022.

For more details, please refer to the specific sections of the Report and, in particular, to section 4 ("Board of Directors"); 7 (Self-evaluation and succession of directors") and 8 (Directors' Remuneration").

For the Board of Directors
The Chairperson
Michaela Castelli

TABLES

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 14 MARCH 2022

Share capital structure

	No. shares	No. of voting rights	Listed on Borsa Italiana's online stock exchange	Rights and obligations
Ordinary shares (shares with increased voting rights are not permitted)	212,964,000	212,964,000	100%	
Preferential shares	-----			
Multiple voting shares	-----			
Other share categories with voting rights	-----			
Savings shares	-----			
Convertible savings shares	-----			
Other share categories without voting rights	-----			
Other	-----			

Other financial instruments (granting the right to subscribe newly issued shares)

	Listed (indicate the markets)/unlisted	No. instruments in circulation	Category of shares serving conversion/ exercising/	No. of shares serving conversion/ exercising/
Convertible bonds	-----	-----	-----	-----
Warrant	-----	-----		

Significant equity investments

On CONSOB website as at 14 March 2022

Declarant	Direct Shareholder	% stake of capital ordinary	% stake of capital voting
Roma Capitale	Roma Capitale	51%	51%
Suez SA	Suez International Sas	23.333%	23.333%
Caltagirone Francesco Gaetano	Capitolium Srl	0.141%	
	Caltagirone SpA	1.174%	
	Fincal SpA	3.052%	
	FGC SpA	1.085%	5.452%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT YEAR-END

Position	Members	Year of birth	Date of initial appointment*	In office from	In office to
Chairperson	Michaela Castelli	1970	27/04/2017	29/05/2020	31/12/2022
CEO	Giuseppe Gola	1964	29/05/2020	29/05/2020	31/12/2022
Director	Giacomo Larocca	1978	29/05/2020	29/05/2020	31/12/2022
Director	Gabriella Chiellino	1970	27/04/2017	29/05/2020	31/12/2022
Director	Liliana Godino	1962	27/04/2017	29/05/2020	31/12/2022
Director	Giovanni Giani	1950	coop. BoD 29/11/2011 AGM 04/05/2012	29/05/2020	31/12/2022
Director	Alessandro Caltagirone	1969	27/04/2017	29/05/2020	31/12/2022
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	29/05/2020	31/12/2022
Director	Diane Galbe	1981	coop. BoD 11/12/2019 AGM 29/05/2020	29/05/2020	25/02/2022

* The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea SpA's BoD.

** This column indicates whether the list from which each director was taken was presented by Shareholders ("A") or by the Board of Directors ("C").

*** This column indicates the list from which each director was taken ("M": majority list; "m": minority list).

**** This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Corporate Governance Report.

***** This column indicates the directors' participation in the meetings of the BoD.

No. meetings held in 2021: 14

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 147-ter TUF): 1% of shares with voting rights

TABLE 3: STRUCTURE OF THE ADVISORY COMMITTEES AT YEAR-END

Office/Classification	Board of Directors Members	Executive Committee (expired on 22/03/2021)		Committee for the Region (established on 22/03/2021)	
		(*)	(**)	(*)	(**)
Chairperson non-executive, non-independent	Michaela Castelli	M	2/2		
CEO executive, non-independent	Giuseppe Gola	M	2/2		
Director non-executive, independent	Giacomo Larocca			M	7/7
Director non-executive, independent	Gabriella Chiellino				
Director non-executive, independent	Liliana Godino				
Director non-executive, non-independent	Giovanni Giani	P	2/2	P	7/7
Director non-executive, independent	Massimiliano Capece Minutolo Del Sasso	M	2/2	M	7/7
Director non-executive, independent	Alessandro Caltagirone	-	-	-	-
Director non-executive, non-independent	Diane Galbe	-	-	-	-

* This column indicates the qualification of the Director within the Committee: "P": Chairperson; "M": member.

** This column indicates the directors' participation in the meetings of the Committees.

No. of meetings held in the year:

2

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Quorum required for the submission of lists by minorities for the election of one or more members (per art. 147-ter TUF): 1% of shares with voting rights

List (proposing parties) **	List (M/m) ***	Executive	Non-Executive	Independent from Code	Independent from TUF	No. other positions ****	Equity investment *****
A	M		x			2	14/14
A	M	x				-----	14/14
A	M		x	X	X	-----	14/14
A	M		x	X	X	1	13/14
A	M		x	X	X	-----	14/14
A	m		x			-----	13/14
A	m		x	X	X	6	12/14
A	m		x	X	X	2	14/14
A	m		x			-----	12/14

RPT Committee		Control and Risks Committee		Appointments and Remuneration Committee		Ethics and Sustainability Committee	
(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)

M	9/9	M	11/11			M	7/7
				M	6/6	P	7/7
P	9/9	P	10/11	M	6/6		
		M	9/11	M	6/6	M	5/7
M	9/9	M	10/11	P	6/6	M	7/7
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

9

11

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TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT YEAR-END

Board of Statutory Auditors			
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights			
Position	Members	Year of birth	Date of first appointment *
Chairperson	Maurizio Lauri	1962	2019
Standing auditor	Pina Murè	1967	2019
Standing auditor	Maria Francesca Talamonti	1978	2019
Alternate auditor	Maria Federica Izzo	1981	2019
Alternate auditor	Mario Venezia	1957	2019

* The date of first appointment refers to the date on which the auditor was appointed for the (very) first time as a member of the issuer's Board of Auditors.

** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).

*** This column indicates the participation of the auditors in the meetings of the Board of Auditors.

**** This column indicates the number of offices held as directors or auditors by the subjects concerned, pursuant to art. 148-bis of the TU F and of the relative implementation provisions contained in the Consob Issuers Regulations. The full list of offices is published by Consob on its website pursuant to art. 144-*quinquiesdecies* of the Consob Issuers' Regulations.

No. meetings held in 2021: 17

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of shares with voting rights

TABLE 1. COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND OFFICES HELD BY DIRECTORS IN OTHER COMPANIES AS AT 31 DECEMBER 2021

Position	Name	Position	Other Offices (*)
Chairperson (**)	Michaela Castelli	Director	Nexi SpA (P) Recordati SpA
Chief Executive Officer	Giuseppe Gola	Executive Director	-----
Director	Gabriella Chiellino	Independent Director	Ambienthesis SpA
Director	Giacomo Larocca	Director Independent	-----
Director	Liliana Godino	Independent Director	-----
Director	Giovanni Giani	Director	-----
Director	Alessandro Caltagirone	Director Independent	Aalborg Portland Holding A/S (VP) Cementir Holding NV (VP) Caltagirone SpA Caltagirone Editore SpA (VP) Fincal SpA (P) Finanziaria Italia 2005 SpA (AU)
Director	Diane Galbe	Director	-----
Director	Massimiliano Capece Minutolo Del Sasso	Independent Director	Piemme SpA FGC SpA

(*) List of director or statutory offices held by each Director in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

(**) For the sake of completeness, other offices held are presented, even if not relevant for the purposes of this table: Sea SpA (P) and Autogrill Italia SpA (member CS).

Board of Statutory Auditors
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights

In office since	In office to	List (M/m) **	Independence from Code	Attendance at meetings ***	Number of other offices ****
17/04/2019	31/12/2021	m	X	17/17	3
17/04/2019	31/12/2021	M	X	17/17	5
17/04/2019	31/12/2021	M	X	17/17	16
17/04/2019	31/12/2021	M	X	n,a,	n,a,
17/04/2019	31/12/2021	m	X	n,a,	n,a,





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The Acea Group places sustainability at the centre of all its activities and its development strategy.
For that reason, this publication was produced on Fedrigoni Freelifa Cento paper.
A small act that is part of the many choices the Group makes to protect the environment.

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