2 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

<table>
<tr><th></th><th colspan="2">Economic-technical depreciation rate</th></tr>
<tr><th>Description</th><th>Min</th><th>Max</th></tr>
<tr><td>Instrumental systems and equipment</td><td>1.25%</td><td>6.67%</td></tr>
<tr><td>Non-instrumental systems and equipment</td><td colspan="2">4%</td></tr>
<tr><td>Instrumental industrial and commercial equipment</td><td>2.5%</td><td>6.67%</td></tr>
<tr><td>Non-instrumental industrial and commercial equipment</td><td colspan="2">6.67%</td></tr>
<tr><td>Other capital goods</td><td colspan="2">12.50%</td></tr>
<tr><td>Other non-capital goods</td><td>6.67%</td><td>19%</td></tr>
<tr><td>Instrumental vehicles</td><td colspan="2">8.33%</td></tr>
<tr><td>Non-instrumental vehicles</td><td colspan="2">16.67%</td></tr>
</table>

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:

a. 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;
b. 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.

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 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 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 recognized 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 reinsurance 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 December 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.

	Average number of employees			End-of-period composition		
€ thousand	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 porterage 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 correlation 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 transactions 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 Bogotà. 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 € 213,791 thousand, recording an increase of € 9,612 thousand. A breakdown of income from equity investments is given below.

€ thousand	2021	2020	Change
Acea Ato2	60,830	53,270	7,560
Areti	117,242	110,137	7,105
Acea Elabori	12,408	19,618	(7,210)
Acea Ambiente	3,070	2,547	523
Acque Blue Fiorentine	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.

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.

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.

	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.

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 headquarters 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.

13. Intangible fixed assets – € 50,025 thousand

The change, a total of € 9,790 thousand, mainly refers to the net 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.

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 international 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 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%**
Target on Tariff review (100% = € 51 million)	**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)
	40%	11.80	7.40	3.00	(1.40)	(5.80)	(10.21)
	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 involved 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 related 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 subsidiaries 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.

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:

€ 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 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 Elabori	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 prepaid 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	31/12/2021 Amount	Possibility of use	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	(19,099)		(19,099)		
Reserve for exchange differences	9,397		9,397		
Reserve for actuarial gains and losses	(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.

	Discount Rate	
Plan type - € thousand	**+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.

22. Provisions for risks and charges – € 15,024 thousand

The table below details the composition by nature and the changes compared to the end of the previous year:

€ million	31/12/2020	Uses	Provisions	Release for Excess Provisions	Reclassifications/ Other changes	31/12/2021
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 extinguished 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 € 1,921thousand 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 Elabori	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 statements, 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 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 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.

	Revenues		Costs	
€ thousand	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	31/12/2021			
€ thousand	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 beneficiaries 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.
<u>Case filed as a claimant</u>: 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 Autoparco 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.
<u>Cases as a defendant</u>: 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 debeatur*, 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.

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

		Changes in the period					
€ thousand	31/12/2020	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2021
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
Consorcio 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**

		Changes in the period					
€ thousand	31/12/2020	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2021
Associates							
Aguazul Bogotà SA	364	0	0	0	(31)	0	333
Ecomed Srl	118	0	0	0	0	0	118
Umbra Acque SpA	6,851	0	0	0	0	0	6,851
Ingegnerie Toscane Srl	58	0	0	0	0	0	58
Intesa Aretina Scarl	11,505	0	0	0	0	0	11,505
Geal SpA	2,059	1,730	0	0	0	0	3,788
Umbria Distribuzione Gas SpA	318	0	0	0	0	0	318
Marco Polo SpA in liquidation	0	0	0	0	0	0	0
Citelum Napoli Pubblica Illuminazione Scarl	0	0	0	0	0	0	0
Sienergia SpA in liquidation	0	0	0	0	0	0	0
DI.T.N.E. Scarl	12	0	0	0	0	0	12
Total associates	**21,286**	**1,730**	**0**	**0**	**(31)**	**0**	**22,984**

		Changes in the period					
€ thousand	31/12/2020	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2021
Other companies							
Polo Tecnologico Industriale Romano SpA	2,350	0	0	0	0	0	2,350
WRC Plc	0	0	0	0	0	0	0
Total other companies	**2,350**	**0**	**0**	**0**	**0**	**0**	**2,350**

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 "salesforce" 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 (/mgl)
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

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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 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 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*
Recoverability of the value of investments in subsidiaries and associates *Note 15 to the financial statements "Investments in subsidiaries and associates"* 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. 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 "*Impairment of assets*", 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. 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	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. 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

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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

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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

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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.

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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 application

   of 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:	signed by:
Giuseppe Gola, the CEO	Fabio Paris, the Executive Responsible for Financial Reporting

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