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REPORT ON
OPERATIONS





CORPORATE BODIES

BOARD OF DIRECTORS

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

Chairperson
Chief Executive Officer
Director
Director
Director
Director
Director
Director
Director

BOARD OF STATUTORY AUDITORS

Maurizio Lauri
Pina Murè
Maria Francesca Talamonti
Maria Federica Izzo
Mario Venezia

Chairperson
Regular Auditor
Regular Auditor
Alternate Auditor
Alternate Auditor

FINANCIAL REPORTING MANAGER

Fabio Paris

AUDITING FIRM

PricewaterhouseCoopers SpA

(*) Resigned on 25 February 2022.

SUMMARY OF RESULTS

Income statement data

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

EBITDA by industrial segment

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

Financial position data

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

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

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

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

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

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

Net Financial Position

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

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

Capex by industrial segment

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

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

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

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

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

SUMMARY OF RESULTS: ECONOMIC PERFORMANCE

Income statement data

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY OF RESULTS: TRENDS IN FINANCIAL POSITION AND CASH FLOWS

Financial position data

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

Non-current Assets and Liabilities

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

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

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

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

Capex

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

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

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

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

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

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

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

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

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

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

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

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

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

Group investments concerning shared IT infrastructure totalled € 32.5 million.

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

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

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

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

Net working capital

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Receivables due from Roma Capitale

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

Payables due to Roma Capitale

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

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

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

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

Shareholders' equity

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

Financial debt

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

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

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

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

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

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

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

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

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

Loans

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

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

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

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

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

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

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

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

- Fitch “BBB+”;
- Moody’s “Baa2”.

REFERENCE CONTEXT

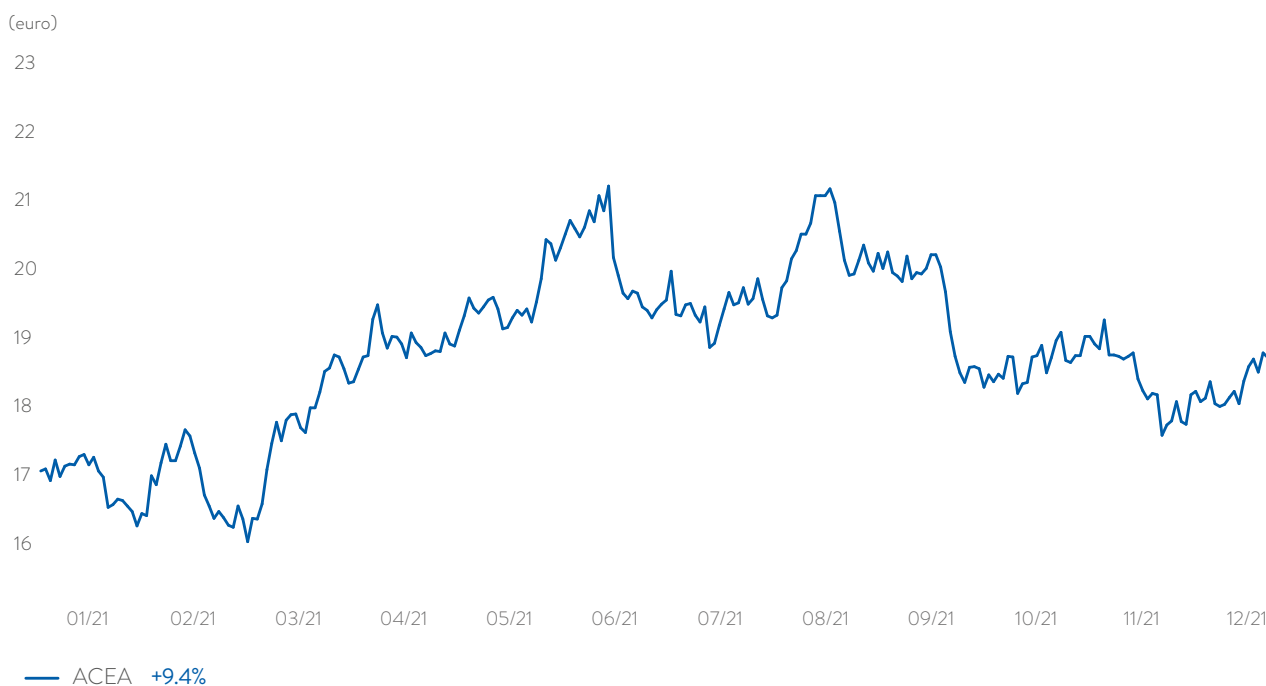
PERFORMANCE OF THE EQUITY MARKETS AND THE ACEA STOCK

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

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

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

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

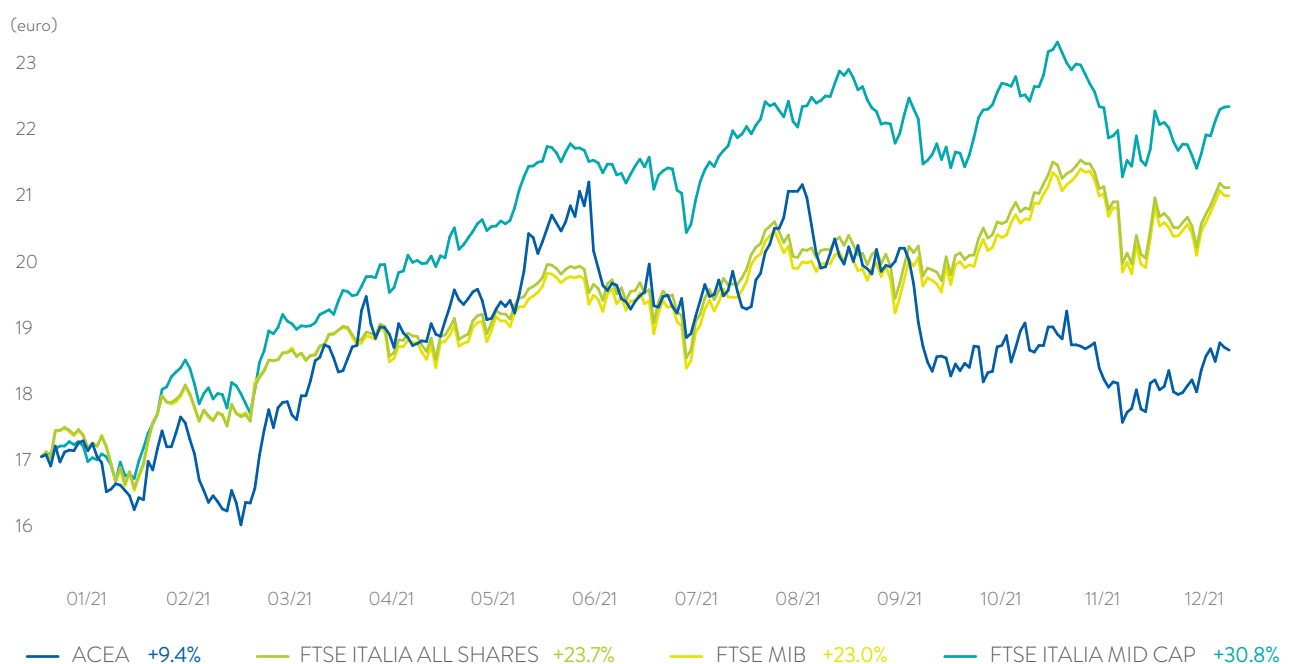


(Source: Bloomberg)

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

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

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



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

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

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

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

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

ENERGY MARKET

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

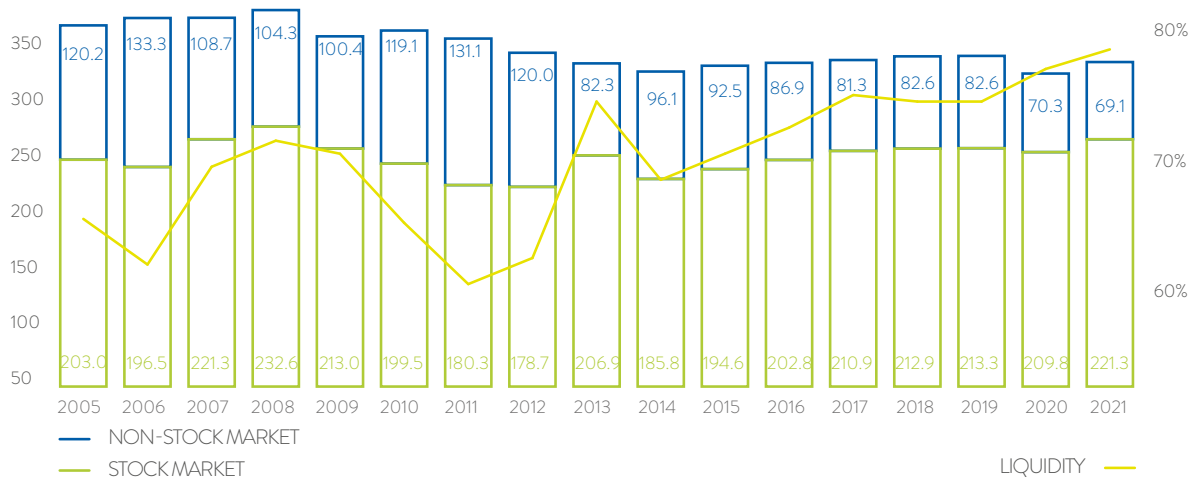
Energy production in 2021, net of self-consumption and consumption by pumping, stood at 249,251 GWh, up by 2.0% from 2020. It covered 78% of the requirement, against a significant increase in net

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

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

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

DAM: Single National Price (SNP) ²

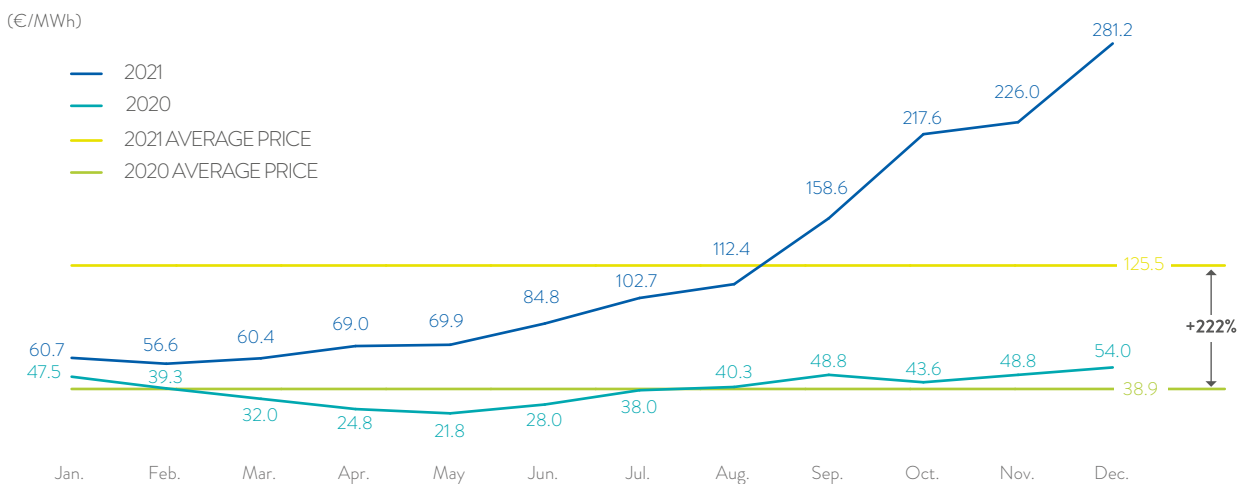


The increase in energy prices in 2021 was also seen in other European countries, with the higher increases compared to 2020 recorded in the Scandinavian Area +475% (€ 62.87/MWh), followed by France +239% (€ 109.17/MWh), Spain +230% (€ 111.93 /MWh) and finally Germany +218% (€ 96.85/MWh).

France deserves a special mention, as during the last quarter it faced reduced nuclear availability because of ordinary and extraor-

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

DAM: Selling Prices ²



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

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

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

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

² Source: GME Newsletter, December 2021.

TARIFFS FOR TRANSPORT SERVICES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE ITALIAN WASTE MANAGEMENT MARKET

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

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

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

WATER REGULATION

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

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

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

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

TARIFF METHOD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTRACTUAL QUALITY

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

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

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

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

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

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

SOCIAL WATER BONUS

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

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

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

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

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

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

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

beneficiaries.

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

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

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

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

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

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

METERING REGULATIONS

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

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

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

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

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

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

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

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

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

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

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

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

NATIONAL WATER SECTOR INTERVENTION PLAN

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

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

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

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

STRATEGIC FRAMEWORK 2022-2025

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

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

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

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

BIENNIAL LIMITATION

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

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

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

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

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

BRIEFS AND REPORTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUNDRY

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

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

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

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

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

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

CONSUMER PROTECTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TARIFF DETERMINATION ATO 2 CENTRAL LAZIO - ROME

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

The main points of the tariff provision are as follows:

- Placing of the management in the regulatory scheme related to the 5th quadrant pursuant to paragraph 5.1 of Annex A (MTI-3) of Resolution 580/2019/R/idr (high investments with respect to the value of the existing infrastructures and average per-capita Guaranteed Revenue Constraint (GRC) higher than the national average figure determined by ARERA);
- Works programme for the four-year period 2020-2023 for over € 1,300 million), with new investments for around € 90 per capita per year; an additional amount of around € 3,200 million is envisaged for the subsequent period 2024-2032;
- Tariff multiplier theta (to be applied to the tariff in force at 31/12/2015) of 1.020 for 2020, 1.078 for 2021 and for the following two years of 1.139 and 1.202 respectively. The theta multipliers for 2022 and 2023 may be redetermined following the biannual update, as provided in art. 6 of Resolution 580/2019/R/idr;
- Use of what is not spent of the solidarity contribution collected in the whole of 2019 (more than € 5.6 million) to reduce the tariff adjustments due for 2020 and 2021;
- Adoption of the value of the Ψ parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNI_{new});
- Portion as per paragraph 36.3 of Annex A of Resolution 580/2019/R/idr, aimed at integrating the national mechanism to improve the quality of the integrated water system (to be paid to CSEA and included in billing documents with the relevant reason) of € 0.4 cents/mc applied to water pipeline, sewerage and purification volumes with effect from 01/01/2020.

After the tariff approval by ARERA, in July the Operational Technical Secretariat accepted the prescriptions expressed in Resolution 197/2021/R/idr, in particular adjusting the RDT (Tariff Data Collection) calculation file to the Authority's prescriptions and, for consistency, doing likewise with the accompanying Report and the report on quality objectives and the Action Plan/Strategic Works Plan. The main changes consist of a variation in distribution of some Guaranteed Revenue Constraint (GRC) components for the years 2022 and 2023 and the updating of the calculation methods for some technical quality indicators. However, there is no change in the tariff multiplier values for the 2020-2023 four-year period compared to what was approved by the Mayors' Conference. The aforementioned resolution of the Conference of Mayors no. 6/2020 also updated the implementation regulation for the integrated water bonus for the Ato 2 Central Lazio - Rome. As extraordinary measures and up to 31/12/2021 (unless extended), the new provisions introduced allow users admissible at the moment of the request for the contribution with ISEE (Equivalent Economic Situation Indicator) within the limits set by ARERA exclusively to cover earlier arrears, in addition to the ordinary amount to have access to a further once-off amount up to three times the ordinary value.

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

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

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

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

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

UPDATE ON APPEALS AGAINST THE ARERA TARIFF REGULATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The procedure is divided into the following two stages:

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

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

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

ELECTRICAL REGULATION

Biennial limitation

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

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

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

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

The consultation has not yet been followed by any measures.

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

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

Covid-19 health emergency

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

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

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

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

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

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

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

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

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

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

Measures to limit bill price increases

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

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

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

Social bonus

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

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

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

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

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

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

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

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

Network losses

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

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

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

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

Continuity of the service

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

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

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

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

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

Resilience Plan

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

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

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

Energy efficiency certificates and tariff contribution awarded to distributors

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

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

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

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

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

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

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

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

TARIFF REGULATION

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

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

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

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

Standard network code of the electricity transport service

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

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

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

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

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

General system charges

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

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

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

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

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

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

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

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

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

Electric mobility

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

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

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

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

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

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

“2G digital meter” project

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

Reactive energy

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL REGULATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sustainable development

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

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

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

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

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

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

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

Environmental and energy impacts

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

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

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

Climate change

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

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

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

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

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

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

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

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

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

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

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

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

Development and technological innovation

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

Development of personnel

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

Sustainable management of the supply chain

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

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

Health and safety in the workplace

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

TREND OF OPERATING SEGMENTS

ECONOMIC RESULTS BY SEGMENT

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

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

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

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

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

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

OPERATING SEGMENTS

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



WATER

Integrated Water Service in Italy
Gas distribution



GENERATION

Electricity **generation**
Cogeneration
Photovoltaic



COMMERCIAL AND TRADING

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



ENERGY INFRASTRUCTURE

Distribution and Measure
Public Lighting



OVERSEAS

Development of initiatives outside of Italy



ENVIRONMENT

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



ENGINEERING AND SERVICES

Laboratory analysis
Engineering & internal **consultancy**

ENVIRONMENT

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

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

Equity and financial results

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

EBITDA

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

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

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

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

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

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

with the last movements taking place on 15 June 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

of integrated management of solid urban waste.

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

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

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

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

COMMERCIAL AND TRADING

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

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

Equity and financial results

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

EBITDA

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

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Energy Management

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

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

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

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

Sale of electricity and gas

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

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

Commercial Agreements

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

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

Proceeding PS9815 of the AGCM for unsolicited activations:

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

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

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

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

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

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

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

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

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

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

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

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

Fact-finding investigation concerning the financial items relating to electricity destined for States within Italy: pursuant to resolution 58/2019/E/eel, on 20 March 2019 the Authority initiated a

fact-finding investigation in relation to Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the dispatching point of export.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OVERSEAS

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

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

Equity and financial results

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

EBITDA

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

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

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

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

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

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

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events occurred in the period.

WATER

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

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

Equity and financial results

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

EBITDA

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

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

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

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

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Lazio - Campania area

Acea Ato2

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

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

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

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

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

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

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

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

In particular, in 2021:

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

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

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

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

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

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

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

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

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

Acea Ato5

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Updating of the concession fee

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

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

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

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

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

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

Conciliation Board with OTAA 5 and subsequent discussions with the AGB

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

In this context, in recent years and especially during 2018 an enormous effort has been made — including organisational efforts — to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato 5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Criminal proceeding no. 3910/18

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

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

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

ARERA sanctioning measure concerning IWS tariff regulation

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

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

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

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

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

AGCM sanctioning measure - Proceeding PS9918

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

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

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

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

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

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

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

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

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

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

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

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

In particular, the evidence submitted confirmed that:

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

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

Criminal proceeding no. 2031/2016

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

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

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

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

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

The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.

Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.

Following the filing of the expert’s report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.

At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.

The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement.

See also the additional information contained in the paragraph “*Information on services under concession*” and with reference to the proceedings Italian Legislative Decree no. 231/2001 in the paragraph of this “*Report on Major Risks and Uncertainties*”. Moreover, with reference to additional complex cases related to legal controversies, filed or being filed, between Acea Ato5 and the Environmental Authority, see the “*Update on primary legal controversies*” paragraph of this document.

Notice of assessment for 2013 and subsequent years and tax audits

On 3 January 2019 notice was served by the Revenue Agency – Dir. Prov. of Frosinone – Audit Office of a notice of assessment for IRAP for the year 2013. The Company has lodged an appeal. On 3 July 2019, a hearing was held at the Frosinone Regional Tax Commission. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013.

It is the intention of the Company to challenge the aforementioned judgement and to lodge an appeal before the Regional Tax Commission.

The deadline for this action is six months from the date of filing of the judgement, therefore 23 April 2020. This deadline was extended to 11 May 2020 due to the health emergency. The appeal has been presented and at present we are waiting for the hearing to be scheduled.

During 2019, the Guardia di Finanza also continued its audit of income taxes for the years 2014 to 2018.

On 31 December 2019 the parent company Acea SpA and the subsidiary Acea Ato5 were served by the Revenue Agency – Dir. Prov. of Frosinone – Audit Office – of two notices of assessment for IRES for 2013 and 2014.

These notices of assessment are a consequence of the findings of the tax assessment reports drawn up on 25 October 2018 (mentioned above) and on 30 October 2019, in which the auditors of the Guardia di Finanza found:

- for the tax year 2013:
 - undue decrease in income of € 10,703,757;
 - positive income components not recorded and not declared for € 829,552;
 - negative income elements unduly deducted for € 1,559,616.

With this report on findings (PVC), the second and third points are resolved, given that the critical points noted in the report and initially ascribed to the tax year 2013 had an impact on subsequent years:

- for the tax year 2014:
 - positive undeclared income components of € 18,800,000.

The Company appealed these fines with the Provincial Tax Commission of Frosinone on 28 February 2020 in compliance with the

deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea, with regard to the assessments of the IRES tax for 2013. The meeting for discussion originally set for 18 November 2020 was postponed to 19 January 2021. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the “remote” tax proceedings. On completion of the proceeding of 13 April 2021, the Provincial Tax Commission of Frosinone informed the company that it had accepted the IRAP 2014 and IRES 2014 appeals, ordering the Revenues Agency to pay for the legal expenses. An appeal was lodged by the unsuccessful party against the aforesaid judgement.

On 23, 29 and 30 December 2021, Acea SpA and the Company were served by the Revenue Agency — Dir. Prov. of Frosinone — Audit Office — two notices of assessment for IRES for 2016 and IRAP for 2015 and 2016. These notices of assessment are also a consequence of the findings of the Tax Assessment Reports drawn up on 30 October 2019, in which the auditors of the Guardia di Finanza found:

- for IRES and IRAP purposes for 2016:
 - an unrecognised non-recurring gain arising from the higher GRC recognised by ARERA for € 3,337,920.00; and
 - an undue decrease in non-deductible negative income components for € 1,559,616.88;
- for IRES and IRAP purposes for 2015:
 - an undeductible contingent liability recorded in the 2015 financial statements and related to the non-management of the municipalities of Atina, Cassino Centro and Paliano for the years 2012, 2013 and 2014 for € 4,235,918.00;
 - the recognition in 2017 of non-recurring gains and adjustments for lower depreciation and amortisation, which amounted to € 1,389,265.00 in 2015.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the “remote” tax proceedings.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the “Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms”, with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by Acea Ato5.

This request stemmed from the clarification note sent by the Municipality of Vicalvi at the beginning of 2020 and recalled by the same Authority in which it was asked to justify this attribution in view of the fact that only *Imhoff* tanks are used in the municipal territory and there are no purification plants.

Specifically, the Authority asked to know:

- details of the municipalities in which no purification service is offered;
- the number of users residing there who are charged for the purification service;

- any initiatives taken for the activation of new and/or additional treatment plants, specifying the date of their entry into operation.

In this regard, having to deal with the exceptional operational difficulties related to the extraordinary emergency situation created following the spread of Covid-19, which inevitably affected the timing of the collection of the requested information and the preparation of the subsequent response — whose deadline was set at 2 April 2020 — it was considered appropriate to request an extension of the deadline to 30 April 2020.

On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by Acea Ato5, with note no. 0141201/20.

In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff. The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008.

Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of treatment plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WP).

Finally, with specific reference to the position of the Municipality of Vicalvi, the Company has provided the necessary clarification regarding the charge made to users residing in the aforementioned municipality of the tariff relating to the purification service, specifying that this charge is legitimate due to the presence in the municipal territory of *Imhoff* tanks, delivered to the Company at the time of the transfer of the IWS, which are in fact, both at an operational and regulatory level, purification plants, so much so that the costs of managing them have been recognised and approved by OTAA 5 in the 2016-2019 tariff preparation.

The above demonstrates that, unlike what was stated by the Municipality of Vicalvi, the provision of a charge in the tariff for the costs of managing *Imhoff* tanks — through the tariff item relating to the purification service applied to users whose discharges flow into such system — is entirely lawful, and as recognised by the Operational Technical Secretariat of OTAA 5 it is consistent not only with the tariff method approved by ARERA with resolution no. 580/2019/idr, but also and above all with the principles affirmed by the Constitutional Court with judgement no. 335 of 2008, according to which the tariff, as a contractual consideration, must “express the industrial cost of the water service represented [...] by the integration of collection, supply, distribution, collection and purification services”. At present, there are no updates nor have additional requests been received from the Authority.

With reference to **progress of the procedure for approving the water tariffs for OTAA 5**, at present water tariffs for the 2012-2015 period have been approved by ARERA (Resolution 51/2016/R/idr of 11 February 2016).

In fact, recall that the water tariffs are established by the governing bodies for the area, or by other competent entities identified in regional law, and then sent to ARERA for approval. In the case of

inaction by governing bodies for the area, the Operator may take the initiative.

Regulatory period 2016-2019

With Resolution 664/2015/R/idr of 28 December 2015, ARERA approved the Tariff Method for the second regulatory period “MTI-2”, defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-2, the Company continued to provide the Area Authority with information and clarifications useful for preparation of the 2016-2019 tariff. Despite the sending of these documents, the Area Authority did not prepare any tariff proposals for the 2016-2019 period. Therefore, seeing the inaction of the Area Authority, on 30 May 2016 the Company sent to the OTAA 5, via certified email, cc’ing ARERA, the tariff request pursuant to art. 7, para. 7.5 of Resolution 664/2015. With a note ref. no. 19984/P of 13 July 2016, ARERA convened the Area Governing Body and the Operator for a meeting on 19 July 2016. After this meeting, and based on the tariff preparation carried out by the OTAA 5 OTS, the Conference of Mayors was convened for 29 July 2016. This Conference also did not lead to any tariff decision. Responding to the tariff request made by the Operator on 30 May 2016, ARERA sent OTAA 5, on 16 November 2016, a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the second regulatory period 2016-2019, noting that, after this deadline the Operator’s request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days. After the warning from ARERA, on 13 December 2016 OTAA 5 approved the tariff proposal.

At present, definitive approval by ARERA is awaited.

Two-year update 2018-2019

With Resolution 918/2017/R/idr of 27 December 2018, ARERA created regulations for the two-year update to tariffs for the integrated water service.

Implementing this regulatory framework, on 1 August 2018 the Conference of Mayors of OTAA 5 formalised approval of the tariff multiplier for the years 2018 and 2019 in the maximum amount established under the Tariff Method, 8%, through Resolution no. 7, without prejudice to the study done by ARERA for the change in the theta which determines tariff changes exceeding the limit established in MTI-2. Additionally, with Resolution 8 of 1 August 2018, the Conference of Mayors approved, pursuant to art. 3, para. 1, of Resolution ARERA of 28 September 2017, 665/2017/R/idr, the new tariff structure (TICS).

As described in detail below, note that on 21 May 2018, with Resolution DSAI/42/2018/IDE of 21 May 2018, ARERA began a sanctioning procedure relative to the Company, which ended with the application of a fine, in relation to a series of findings relative to tariff adjustment for the integrated water service for the years 2012-2017 (hence also regarding tariffs also approved by the Authority itself, 2012-2015).

In any case, at the time of the 2018-2019 tariff update approved by the OTAA 5 Conference of Mayors on 1 August 2018, the appropriate adjustments were made based on that indicated by the Regulatory Authority in the context of the aforementioned sanctioning procedure.

At present, approval by ARERA is awaited.

It should nonetheless be specified that art. 15, para. b) of Resolution ARERA 918/2017/R/idr of 27 December 2017 establishes

that Operators are required to apply, after preparation of the two-year update by the Area Governing Bodies, and until approval by the Authority, the tariff update prepared by the Governing Bodies, in compliance with the price limit pursuant to par. 3.2 of Resolution 664/2015/R/idr.

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

To that end, below is that clarified by ARERA in its Communication of 5 February 2020, which states: “With reference to the two-year update proposals for the tariff structure for 2018-2019, sent to the Area Governing Bodies pursuant to Resolutions 917/2017/R/idr and 918/2017/R/idr, but not yet involved in specific approvals by the Authority, it is clarified that:

- the Authority will complete the investigations intended to ascertain the consistency of the relevant technical and tariff data, in the context of the verifications on the specific regulatory structures proposed for the third regulatory period (2020-2023), in observance of the MTI-3 water tariff method, pursuant to Resolution 580/2019/R/idr;
- for the two-year period 2018-2019 the tariff determinations adopted by the competent entities remain valid, which will be assessed by the Authority as part of the quantification of the adjustment components referred to in art. 27 of MTI-3 when approving the new regulatory framework.”

Regulatory period 2020-2023

With Resolution 580/2019/R/idr of 27 December 2019, ARERA approved the Tariff Method for the third regulatory period “MTI-3”, defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-3, the Company provided the Area Authority with data, information and clarifications useful for preparation of the 2020-2023 tariff. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2020-2023 period by the deadline set in the regulations in effect (31 July 2020). Therefore, seeing the inaction of the Area Authority, on 15 December 2020 the Company sent to the OTAA 5 and to ARERA, via certified email, the tariff request pursuant to art. 5, para. 5.5 of Resolution 580/2019.

On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021.

This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

With reference to **operating costs** note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021.

Relative to the **tariff multiplier** note that the Tariff Structure approved by OTAA 5 established a tariff multiplier with the following problems:

- it does not indicate specific invoicing schedules to recover previous adjustments equal to € 101 million, as resulting from OTAA resolution no. 6 of 13 December 2016 and no. 7 of 1 August 2018;
- the amount of the adjustments included by OTAA 5 in the aforesaid structure (approximately € 51 million represented in Rctot and approximately € 50 million in the Residual Value component is not integrated into the formula that determines the tariff multiplier for the respective years (2023-2024); the residual portion up to € 101 million was represented in the Residual Value, preventing in practice immediate invoicing;
- the reduction of operating costs (of € 3,315 thousand for both the years 2018-2019) made on years for which Acea Ato5 has already incurred the related expense (costs in the 2018 and 2019 financial statements), entails a financial loss of the same amount, as the tariff change that has to be applied — for the respective years — is less than that applied starting from 1 January 2020 (in accordance with the provisions of art. 7.2 letter a of ARERA resolution 580/2019/R/idr).
- it does not provide for adequate coverage of the operating costs incurred by the Operator;
- it does not apply a congruous indemnity rate for existing receivables.

As is known, following the tariff scenario approved by AGB Resolution of the Conference of Mayors of the OTAA5 no. 1 of 10 March 2021 and referred to in ARERA Resolution no 580/2019/R/idr of 27 December 2019, the Company has put in place two separate actions:

- An appeal against this resolution is before the Latina Regional Administrative Court (docket no. 308/2021 section 1);
- Submission of the request for economic-financial rebalancing (in accordance with the provisions of arts. 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/R/idr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed the sentence before the Council of State.

With reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of Ato 5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA 5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks, making use of qualified external consultants. As of the date of preparation of this report, there are no elements that can be used to predict the outcome of the request.

It should also be noted that as a result of the approval of the 2020-2023 tariff provisions, the directors of Acea Ato5 acknowledged the presence of significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the appeal against Resolution no. 1/2021 of the Mayors' Conference.

In view of the financial imbalance that has arisen, Acea SpA is studying measures to secure the subsidiary. In the meantime, the directors of the subsidiary initiated a series of actions aimed at improving the financial position of the company including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- the rescheduling of debts arising in 2021 through the systematic use of reverse factoring with positive effects on working capital;
- the rationalisation of management costs also through the revision of the Service Agreement with the Parent Company;
- labour cost efficiency due to the containment of planned increases and management factors (holiday disposal plans and policies for monitoring and validating overtime performance);
- the lodging of an appeal against Resolution no. 1 of 10 March 2021 of the Conference of Mayors of OTA 5;
- the application for economic-financial rebalancing as provided for in the regulation.

With the actions taken, the Company has succeeded in managing the financial situation highlighted in the 2020 Financial Statements, partially mitigating the financial imbalance.

GORI

The Company manages the Integrated Water Service for the "Sarnese-Vesuvian" District Area of the Campania Region (which comprises 59 Municipalities of the Province of Naples and 17 Municipalities of the Province of Salerno), for a total of 76 Municipalities (however, the Municipalities of Calvanico and Roccapiemonte in the Province of Salerno are managing their water services, not having yet ensured the start of IWS management by the company). The award of the aforesaid IWS management lasting thirty years and starting from 1 October 2002 (and expiring in 2032) was finalised with the signing of a specific agreement with the granting authority Sarnese Vesuvian Area Authority (now replaced by the Campania Water Authority as per Law 15/2015 of the Campania Region) on 30 September 2002.

Established pursuant to regional law 15/2015, the Sarnese-Vesuvian District of the Campania Region covers an area of approximately 900 square kilometres with a population of approximately 1.47 million inhabitants.

A total of 5,141 km of water network is currently managed, consisting of 869 km of primary abstraction network and 4,272 km of distribution network, and a 2,625 km drainage system.

GORI currently manages 13 water sources, 116 wells, 206 tanks, 123 water pumping stations, 191 wastewater pumping stations and 11 waste treatment plants.

Operating Agreement between Campania Region, the Campania Water Authority and GORI

On 8 November 2018, an Operating Agreement was entered into between the Campania Region, the Campania Water Authority and GORI ("Operating Agreement") aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuvian District area within a framework of economic-financial equilibrium of the management for its entire residual duration and the pursuit of the following related objectives: (i) GORI's assumption of the service's management and, by way of concession and in accordance with the provisions of the current Management Agreement of the

OTA IWS, of the “Regional Works” (i.e. several major infrastructures of the IWS falling within the territory of the Sarnese-Vesuvian District area, managed for a long period by the Campania Region and transferred by the latter to the operator GORI in the period between 2019 and 2021; hereinafter referred to as the “Regional Works”) and their consequent efficiency improvement, including the redeployment and efficient employment of the relevant personnel engaged in the IWS (furthermore, the transfer of the treatment plant of the Sorrento Peninsula district is also expected by 31 January 2022); (ii) approval by the Campania Region of plans for the payment in instalments of the debt accrued by the Company for the wholesale supplies (of water and of sewerage and treatment services) provided from 2013 onwards, and the concurrent resolution of the complex legal dispute that has arisen with respect to the payment for the regional “wholesale water” supplies and the regional “wastewater collection and purification” services; (iii) the creation of conditions to facilitate GORI’s access to the credit market; (iv) the commitment of the parties to the extent of their remit to restore/maintain the economic-financial equilibrium of the OTA IWS if the need should arise.

As a result, the Operating Agreement enabled the Company to enter into a long-term loan agreement with a pool of banks on 18 July 2019 with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029.

However, the Covid-19 health emergency has inevitably entailed, as is well known, significant socio-economic criticalities, for which the national government, the Campania Regional Council and also ARERA have adopted and are adopting a series of measures in order to mitigate the effects, above all — as far as it is of interest here — to provide greater protection to the users of the IWS (suspension of credit collection activities and suspension/interruption of service for defaulting users, as well as deferment of payments).

As a result of this situation, the Campania Region and GORI — also in order to ensure a socially sustainable tariff in this historical period and, at the same time, maintain the level of planned investments and, more generally, ensure the economic and financial balance of the management of the IWS of the Sarnese-Vesuvian District area — have determined to reschedule the payments of the sums due by GORI to the Region as debt for past wholesale supplies, reaching on 20 November 2020 the stipulation of an Additional Act to the Operating Agreement, with which the payment of the instalments due in the period from December 2020 to December 2021, amounting to approximately € 34.4 million, is postponed to 2028.

Similarly, as part of the preparation of the 2020÷2023 Regulatory Framework approved by the Campania Water Authority by means of Executive Committee Resolution no. 35 of 12 August 2021, the deferment of the instalments provided for in the repayment plans established by the Operating Agreement for the years 2022, 2023 and 2024 (and amounting in total to approximately € 34.4 million) to the years 2030, 2031 and 2032 is planned.

2020-2023 Regulatory Framework

On 12 August 2021, the Executive Committee of the Authority definitively approved the 2020-2023 Regulatory Framework for the operator GORI SpA with Resolution no. 35; also on 12 August 2021, the offices of the CWA then sent the regulatory framework to ARERA via the IT procedure. Under this CWA-approved regulatory framework, a Theta of 1 is provided for the years 2020, 2021 and 2023 and a Theta increase of 2.4 is provided for the year 2022.

In the resolution in question, the CWA also decided to postpone any further and final determination regarding possible corrective measures on the regulatory frameworks referring to previous periods not considered in the approved proposal, in order to wait for the measures that ARERA will have to take in execution of the provisions established by the ruling of the Council of State, Sixth Section, no. 5309/2021 of 13 July 2021; more specifically, the Council of State ordered ARERA to renew the preliminary investigation underlying the tariff determinations approved by the same ARERA with Resolution no. 104/2016/R/ldr concerning the “*approval for the purposes of establishing the value of adjustments in the context of the tariff method for the second regulatory period MTI-2, tariff provisions regarding the Sarnese-Vesuvian optimal territorial area, for the 2012-2015 period*”, without prejudice to the fact that “*renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry*”.

Therefore, with Resolution no. 373/2021/R/ldr of 7 September 2021 and the subsequent Resolution no. 18/2022/R/ldr of 18 January 2022, ARERA started the procedure for the renewal of the aforementioned enquiry, at the end of which it must adopt the final measure by 15 March 2022, due to the extension of the term intervened with the aforementioned Resolution no. 18/2022/R/ldr.

Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority (“CWA”) — at the specific request of the Authority and in response to the requirements of Council of State Sentence no. 5309/2021 — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of the EIC’s findings to date, one could justifiably exclude — at least in theory — any reduction in the tariff increases established by ARERA’s Resolution 104/2016/R/ldr.

Revenue as at 31 December 2021, amounting to a total of € 208.4 million, was determined on the basis of the regulatory framework approved by the Campania Water Authority with Resolution 35/2021, in compliance with ARERA Resolution 580/2019/R/ldr, highlighting that, in order to achieve financial balance in management of the Sarnese Vesuviano District Area in compliance with the tariff increase constraint and remaining within the maximum limit for annual changes, a remodulation of the GRC was determined, through regulatory postponement of the portion of costs exceeding the maximum limit to subsequent years, according to the provisions of the Regulatory Framework of reference.

Verification of parameters to identify the regulatory quadrant and the presence of OP_{new} relative to systematic changes in operator activities in the “presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to art. 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/ldr, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

It should also be noted that, for the calculation of the GRC at 31

December 2021, the constraint component relating to the $Op_{so-cial}$ supplementary water bonus has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, a specific deliberative act is actually missing, considering that *“the disbursement of the supplementary water bonus is subject to any determinations that will be made, in this regard, by the Campania Water Board to maintain the facility provided in the 2018-2019 two-year period, identifying at the same time the number of beneficiaries entitled to the supplementary water bonus and the related access procedures”*.

The purely regulatory component $CO_{\Delta fanghi}$ was instead considered.

The $Opex_{QC}$ and $Opex_{QT}$ components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

Also in this case, given that ARERA did not approve the requests submitted for recognition of additional costs as an OP_{new} component for the new scope, the OP_{new} included in the calculation were quantified in the same manner as in previous years, and therefore based on the principle of full cost recovery, the costs effectively suffered for systems transferred at 31 December 2021 are covered, as demonstrated in the accounting documents.

At 31 December 2021, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.

External operating costs $Opex_{end}$ were defined based on what is established in art. 17.1 of Annex A to resolution ARERA 580/2019/R/idr when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to art. 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in art. 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI is placed in quadrant 4 of the regulatory matrix, which therefore leads to $Opex_{end}$ of € 74.6 million.

The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA resolution no. 580/2019/R/idr which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).

With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2021, the tariff approved by the CWA by resolution no. 7 of

26 June 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the “Campania Region” operator and is equal to 0.192941 €/m³, with the application, both for the year 2020 and for the year 2021, of a theta equal to 1.

The pertinent cost at 31 December 2021 on the CO_{ws} relating to regional water supplies, according to the principle of full cost recovery, was approximately € 4.1 million, entered for the same amount in GRC and in the related costs.

As regards the CO_{ws} of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2021, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m³, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by the regional plants.

Furthermore, in the determination of the GRC for the year ended 31 December 2021, the regulatory effects on the year 2020 deriving from the application of the regulatory framework approved by the CWA, with effect on the GRC for financial year 2020, were also taken into account, with the allocation to the “exceptional events” component for a total value of € 0.5 million.

It should be noted that the increase in costs incurred on Regional Works transferred by virtue of the completion of the transfer schedule, and taken into account in the relevant GRC as OP_{new} , was offset by lower costs incurred on electricity supplies and water purchases from the Campania Region; for this reason, despite the non-application of tariff increases since, as previously represented, the regulatory framework approved by the Campania Water Authority provides, for the year 2021, the application of a theta=1 tariff multiplier, the tariff revenue allowed for the recovery of tariff adjustments equal to € 4.9 million. In addition, it should be noted that, upon completion of the billing cycle with respect to the 2019 reference year, there was a residual accrual to be issued, amounting to € 8.4 million, which was allocated as an increase in tariff adjustments to be recovered.

Therefore, the tariff adjustments, as of 31 December 2021, amount to € 146.8 million.

A case pending before the Council of State concerning an appeal brought by the Municipalities of Angri (SA), Casalnuovo di Napoli (NA), Roccapiemonte (SA), Roccarainola (NA) and Scisciano (NA), for amendment of the sentence of the Regional Administrative Court of Lombardy, Milan office no. 1619/2018 of 29 June 2018, which rejected the appeal for the annulment of the ARERA resolution 104/2016/R/idr of 10 March 2016 approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District

The Council of State, accepting partially the appeal of the aforesaid Municipalities, with the recent judgement no. 5309 of 13 July 2021, revised the judgement of the Lombardy RAC Milan office no. 1619/2018, on the premise that ARERA had not carried out a correct enquiry regarding *“the quantification of the tariffs”*, because it had not assessed whether the Area Plan had been effectively implemented after 2009 and, that is, after the proceeding to revise it had been launched; it therefore argued, for the purposes of the aforesaid *“quantification of the tariffs”*, on the verification of

effective implementation of the Area Plan “... taking into account the need to verify the congruity of the costs with respect to the planned objectives also “in relation to the investments planned” (art. 149 Italian Legislative Decree 152/06) ... which implies the need for an enquiry ... on the status of implementation of the [area] plan as a condition for assessing concretely the operating costs and a possible concrete assessment of the situation determined in order to identify the adequate tariffs...». The Council of State then concluded providing for a temporary reduction of 30% of the tariff increase provided for in resolution no. 104/2016/R/idr “while awaiting renewal of the enquiry proceeding” of ARERA in preparation for the assumption of new decisions (also confirming the decisions made with ARERA resolution 104/2026/R/idr) regarding “quantification of the tariffs” — “as in any case the amount of the earlier consolidated tariffs is not in question and as a preponderant weight has to be attributed in any case to the approval of the plan” — without affecting the fact that “renewal of the enquiry has no constrained content; it could end obviously in confirmation of the tariff decision cancelled herein only for insufficient enquiry but on the basis of new elements, that is the precise verification of the implementation of the plan and of the presumable justified future modulation of the works planned or on the basis of a more specific different motivation or, on the contrary, if the Authority so decides, it could end in confirmation wholly or in part of the jurisdictional cancellation order (which has only a preliminary conformative effect while awaiting renewal of the technical assessments). This reduction is ordered, until the new decision of the Authority, which must intervene promptly and expressly and concretely motivate on the effects deriving, for the purposes of covering the costs, from any remaining non-implementation of the plan, unless final adjustments are ordered after the renewal (if the reduction in the increase cancelled herein were to be calculated in an amount of less than thirty percent)”. In this regard, it is specified that since the Campania Water Authority (i.e., the competent government authority) has not adopted the tariff structure for the 2020-2023 four-year period, ARERA gave notice to the Campania Water Authority on 2 July 2021 to “comply pursuant to paragraph 5.6 of resolution 580/2019/R/idr and art. 3, paragraph 1(f) of the Prime Ministerial Decree of 20 July 2012” and, therefore, to proceed, within 30 days from receipt of said memo, with the decisions and submissions within its remit with reference to the years 2020-2023, “noting that, after this deadline the operator’s request would be understood to have been accepted by the competent authority as the tariff structure, as a result of the provisions of art. 20 of Law no. 241/1990, and would be sent to the Authority for evaluation and approval in the subsequent 90 days.”. Following ruling no. 5309/2021 of the Council of State, ARERA gave another notice to the Campania Water Authority (which had communicated that it had “deferred the approval of the 2020-2023 regulatory scheme, as prepared by the offices, in order to verify the impact of the Ruling [of the Council of State] on the Regulatory scheme in question and pending the acquisition of specific clarifications [...]” from the Authority regarding the effects of said ruling) and the Operator — each within the scope of its own remit and “[...] pending the said renewal [of the supplementary investigation ordered from it by the Administrative Judge] [...]” — to proceed with adopting the 2020-2023 tariff structure “[...] while guaranteeing the economic and financial balance of the management [...]” and taking account “[...] (also for the purposes of verification of compliance with the price limit set by the regulation in force pro-tempore) of the effects of what was established by the aforementioned ruling [...]”, thus in terms of “price limits” of invoicing users. Therefore, ARERA — with Resolution 373/2021/R/idr of 7 September 2021 — has already initiated the procedure for compliance with Ruling no. 5309/2021 of

the Council of State, with the primary and express purpose of”... renewal of the preliminary enquiry — limited to the profiles referred to in the grounds [of Ruling no. 5309/2021] — underlying the tariff determinations referred to in Resolution 104/2016/R/idr”. More specifically, according to the provisions of the cited Resolution 373/2021/R/idr, the procedure in question must be concluded by ARERA “... by 31 December 2021”, a deadline subsequently extended to 15 March 2022 by ARERA Resolution 18/2022/R/idr of 18 January 2022. Furthermore, at the moment, as part of the aforementioned enquiry procedure initiated by ARERA, the Campania Water Authority — at the specific request of the Authority — has ascertained the validity of the Area Plan, approved in 2000 and regularly updated in 2007, and has ascertained that the managing entity GORI has effectively implemented the Area Plan until the end of 2011 in accordance with the provisions of sector legislation. Consequently, on the basis of what has been ascertained by the CWA, it is already possible — at least logically — to exclude any curtailment to the tariff increases established by ARERA Resolution no. 104/2016/R/idr, given that the same Authority will also have to adopt the determinations required by the Council of State as a result of the aforementioned CWA verifications. Furthermore, within the scope of the investigations carried out, it emerges that no immediate restitution should be made, given that any reduction of 30% (if confirmed) would in any case be absorbed by the tariff adjustments accrued by the Operator GORI and still open, as confirmed by the resolution of the Executive Committee of the CWA no. 35 of 12 August 2021. At this stage, it is therefore appropriate to await the measures that the Authority will adopt by the deadline (15.03.2022) in execution of Ruling no. 5309/2021 of the Council of State.

In conclusion, the Company must wait for the decisions to be taken by ARERA, so — on the basis of the above considerations and the opinion of the legal consultants consulted for this purpose, as it stands there are no economic impacts deriving from this sentence including in light of the fact that it will nevertheless be necessary to wait for any new ARERA resolutions.

Cases pending before the Regional Administrative Court of Campania, Naples office, initiated with an appeal filed by the Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA), for the annulment of the resolutions of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 19/2016 of 08/08/2016 (with which the preparation of the 2016-2019 Regulatory Framework of the Sarnese-Vesuvian District area of the Campania Region was approved pursuant to ARERA Resolution 664/2015/R/idr and subsequent amendments and additions) and no. 39/2018 of 17/07/2018 (with which the update of said Regulatory Framework was approved)

The Municipalities in question have appealed before the RAC of Campania, Naples office, the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 19/2016 of 8 August 2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17 July 2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution no. 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, no. 1619 of 29 June 2018 which confirmed the legitimacy

of ARERA Resolution 104/2016/R/ldr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. In this regard, following the aforementioned Ruling no. 5309 of the Council of State of 13 July 2021, the Regional Administrative Court — deeming that there is a prejudicial relationship between the contested acts and the outcome of the appeal proceedings — ordered that the proceedings continue by submitting a new request to set a hearing once the aforementioned Ruling no. 5309/2021 of the Council of State has become final.

Case pending before the Council of State regarding appeal brought by GORI for the reform of the rulings of the Regional Administrative Court of Campania, Naples office, Nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015 relating to the recognition of prior year items prior to 2012 for tariff adjustments approved by the granting authority, the Sarnese-Vesuvian Area Authority (the predecessor of the Campania Water Authority)

The Company charged user accounts the 2014 tariff component, referred to as “Recovery of items prior to 2012”, in accordance with the provisions of the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority no. 43 of 30 June 2014, as amended by Resolution no. 46 of 3 July 2014 (tariff provision in turn adopted pursuant to art. 31 of Annex A of AEEGSI Resolution no. 643/2013/R/ldr. and on the basis of the resolution of the Assembly of Mayors of the Sarnese-Vesuvian Area Authority no. 5 of 27 October 2012). Various parties, including Municipalities, associations and user accounts proposed legal action to formally request the annulment, with precautionary suspension, of the resolutions in question, while in a civil context annulment was requested of the invoices containing the adjustment amount. Specifically, it is noted that 7 appeals were filed with the Regional Administrative Court of Campania, in Naples and 4 extraordinary appeals with the Head of State. Furthermore, the Federconsumatori Campania association challenged Resolution no. 14 of 29 June 2015 of the Extraordinary Commissioner of the Sarnese-Vesuvian Area Authority, and the Municipality of Angri and 11 other Municipalities of OTA 3 challenged the Resolution of the Commissioner no. 15 of 30 June 2015 with additional grounds. Section 1 of the Regional Administrative Court of Campania - Naples, on 15/ October 2015, issued sentences nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015, accepting the appeals presented by the Federconsumatori Campania association and by the Municipalities of Angri, Naples and Nocera Inferiore, declared annulment of commissioner Resolutions no. 43 of 30 June 2014 and no. 46 of 03 July 2014 regarding the determination and approval of tariff adjustments for the period 2003-2011 and the collection methods. Specifically, the Regional Administrative Court maintained that these resolutions were adopted in complete absence of validity, given that the Extraordinary Commissioner, from 21 July 2013 (and, therefore, six months after his appointment on 21/01/2013), would have no longer been in office and, therefore, would no longer held powers from this date. The Regional Administrative Court did not therefore comment on the legitimacy or lack thereof of the tariff adjustments, limiting itself to identifying the lack of power of the Commissioner and consequent annulment of the provisions established after 21/07/2015, on the basis of an interpretation of the regulations which was not shared by the Area Authority and GORI. In any case, with the new regional law no. 15 of 2 December 2015, any doubt regarding interpretation was eliminated, considering that art. 21, paragraph 9 clarified, also for the purposes of correct interpretation of the regulations indicated in the Regional Administrative Court judgement,

that: “the powers of the Commissioners appointed for the liquidation of the abolished Area Authorities and for performance of the functions described in Italian Legislative Decree 152/2006, in compliance with the content of art. 1, paragraph 137 of regional law no. 5 of 6 May 2013 (Provisions for the preparation of the 2013 annual financial statements and 2013-2015 statements of the Campania Region – 2013 regional financial law) cease to apply after six months from the date of entry into force of this law”. Furthermore, paragraph 9-bis of art. 21 established that “When this law is first implemented, the acts adopted by the Commissioners appointed for the liquidation of the abolished Area Authorities in tariff matters and tariff adjustments in implementation of AEEGSI resolution no. 643/2013 and for which appeals before administrative courts are pending, are ineffective until the definitive decisions adopted by the Campania Water Authority to be constituted, having consulted the competent District Council”: in other words, having ascertained as a result of paragraph 9 of art. 21 the powers of the Extraordinary Commissioner of the Sarnese Vesuvian Area Authority to have legitimately adopted the measures regarding tariff adjustments, it has nevertheless been provided that for said tariff adjustments the Campania Water Authority, as the new granting/regulatory authority and assignee of the Extraordinary Commissioner, must make new and definitive decisions. And in fact, as far as we know, the Campania Water Authority has completed its preliminary enquiry (among other things in the sense of recognising that the previous items for tariff adjustments prior to 2012 have been correctly determined) on the basis of which its competent bodies will have to take the required measures. Consequently, due to the latter circumstance and the fact that it is also necessary to wait for the ARERA measures at the outcome of the procedure initiated with the aforementioned Resolution 373/2021/R/ldr, the Council of State postponed the public hearing on the merits to 16 June 2022.

Refer to the entire contents of the paragraph “Service Concession Report” also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

Gesesa

The Company operates in OTA 1 Calore Irpino which promotes and develops the initiative for the Management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. Currently, the Authority — governed by the Extraordinary Commissioner referred to in DGR no. 813/2012 and merged into the regional EIC at the end of 2018 — has not yet assigned the management of the Integrated Water Service (aqueduct, sewerage and treatment) to a single operator. Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 120,922 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,247, for which 2021 consumption has been estimated at about 7.8 million cubic metres of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users.

One of the company’s objectives was to consolidate, expand and increase the efficiency in particular of the sewerage and treatment service. For these reasons, the investments also focused on the improvement and adaptation of the sewerage systems and the restructuring of the treatment plants and the preliminary design of those not yet present in the territory.

Please note that in May 2020, following a decision of the Public Prosecutor at the Court of Benevento, 12 purification plants of the company were placed under seizure with the appointment of a judicial administrator to manage them. Criminal proceeding 5548/16 RGNR, which involves various Gesesa executives and employees and is currently in the preliminary investigation stage, involves management of the purification system in the Benevento area and a possible connection with pollution of bodies of water in that same area.

Based on that claimed, the accused are alleged to have, in particular, committed fraud in public services, pursuant to art. 356 of the Criminal Code and the crime of environmental pollution, pursuant to art. 452-bis of the Criminal code which, in the Public Minister's opinion, is a direct consequence of the negligent management of the purification plants.

In the context of its powers, the Judicial Administrator carried out a detailed audit in order to examine the plants and identify solutions and actions to improve the purification results of the same.

The Company indicated its willingness to suffer the costs for the activities indicated in the final report for this audit and, with a provision of 25 January 2021, the examining judge for the Court of Benevento gave the go ahead to execution of these activities, already begun by the Judicial Administrator.

After discussions between the Company and the Judicial Administration the decision was arrived at, for reasons of transparency and efficiency, but above all to ensure that the convergent purpose of making the plants as efficient as possible will be fulfilled in a short time, to entrust the procedures necessary for performing the actions described in the report to the Judicial Administrator, using for this purpose the rules and principles on the subject of mandates with representation. The aforesaid decision was transformed into a Draft Agreement; on 2 March 2021 approval was given by the Examining Judge.

On 17 March 2021 the agreement was signed with the Judicial Administrator to launch the works concretely with reference to the 12 plants still under seizure. During the meeting, held on 4 November 2021, of the Technical Advisory Committee, set up to manage the activities envisaged by the agreement, with the Judicial Administrator, the time schedule of the necessary interventions was redetermined with an increase of approximately 15% in the cost of the works that brought the maximum estimate to approximately € 800 thousand. Participants in the meeting also took note of the slowdown in the execution of the works, largely due to delays in the supply of materials encountered due to the Covid emergency, and recalculated the end date of the redevelopment works by extending it to 31 March 2022. With regard to the 231 proceedings against the company, it should be pointed out that, on 11 November 2021, the Examining Judge, at the request of the C.T. and the Public Prosecutor, ordered the seizure of money, directly traceable to the profit of the crime at the company's disposal and the seizure, with the aim of confiscation, of fungible assets, property and anything else of patrimonial value at the Company's disposal, up to a value of over € 78,000,000, with the appointment of a Judicial Administrator. Gesesa immediately appealed against this measure to the Judicial Review Court. The application for review was fully granted by the Court on 21 December 2021 and, consequently, the preventive seizure decree was cancelled, resulting in the release of the assets and their subsequent return to the Company.

The main consequence of this event was a sharp increase in attention on the part of the lending banks and, in the immediate term, the suspension of the signing of a significant line of credit (approx-

mately € 1,500,000) and the non-renewal of the line of advances on water bill collections maturing on 20 December 2021. In order to meet this commitment, the Company requested a loan from the shareholder, Acea Molise, which was disbursed in early January 2022.

It is hoped that the release of the seizure will enable the company to resume discussions with the two banks regarding the two financial transactions.

With regard to any risks concerning the final outcome of the proceedings 231, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings. In any case, the Company is carrying out all possible collaboration activities with the Judicial Authorities.

With regard to the biennial update of the 2018-2019 tariffs, the Company prepared the final accounts referring to the 2016 and 2017 years and the Works Programme for the preparation of the tariff revision proposal with the definition of the GRCs and the Theta for the years 2018-2019, revising the investment planning for the years 2018-2019, also incorporating the results of the inspection audit of 16-20 October 2017 contained in the ARERA Determination no. DSAI/26/2018/idr, dated 10 April 2018, having as its object the initiation of a proceeding for the adoption of sanctioning and prescriptive measures regarding the tariff regulation of the Integrated Water Service. With regard to the sanctioning proceedings under DSAI/26/2018/idr, in October 2021 the Authority sent a request for information on the activities put in place in relation to the reimbursements to be made to users and the other findings of the proceedings.

In the feedback, the Company reported on the status of the reimbursements made, expecting to conclude the task within 6 months. For other points, it is highlighted that in the biennial tariff update proposal for 2016/2019, pursuant to resolution 918/2017, the Company implemented the results of the ARERA audit contained in determination DSAI/26/2018/idr, making the necessary changes to the previous tariff structure for 2016-2017. This proposal is under approval by the CWA.

Following this correspondence, in January 2022, ARERA received the results of the preliminary investigation, in which the Authority pointed out that some points of the assessment had been archived and highlighted that the completion of the prescribed reimbursement activities would be considered favourably when closing the proceedings. In this regard, in February, the Company completed its reimbursement to all users and sent a memorandum of reply to the Authority, highlighting this and reiterating that, for the other points covered by the proceedings, it is still waiting for the approval of the two-yearly MTI2 update. On the basis of these considerations, given that all the points of the sanctioning procedure have been acknowledged, the Company has not deemed it necessary to make any provision for risks. The 2018-2019 tariff proposal is awaiting approval by the CWA, which in any case, following examination of the documentation produced, has deemed it consistent with the regulatory framework approved by ARERA.

Following the Deliberation of 27 December 2019 580/2019/R/idr, the data collection activity for the preparation of the tariff proposal for the period covered by the resolution (2020-2023) was initiated

in agreement with the CWA and data validation was carried out in July 2020. In 2020, the tariff proposal for the 2020/2023 period was being analysed and evaluated by the CWA, with which there were continuous relations for the final definition of the economic/financial data and the Action Plan. In view of the CWA's inaction in defining and sending the two tariff proposals to ARERA for approval, at the end of 2020 and on 29 December 2020 exactly, the Company requested ARERA to exercise substitute powers to approve the 2018-19 (MTI-2) and 2020-2023 (MTI-3) update tariff proposals and on 5 January 2021, following the opening of the portal by the Authority, all related documentation was sent to ARERA electronically.

As a result of the above, revenues were updated and recorded in 2021 on the basis of the new Guaranteed Revenue Constraint ("GRC") envisaged for 2021 in the calculation tool under the new MTI-3 method for the 2020/2023 period, currently awaiting approval by ARERA.

Acea Molise

Acea Molise Srl manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
 - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA 2 Lazio);
 - operation of the purification plant in the Municipality of Valmontone (OTA 2 Lazio).

The Termoli and Campagnano concessions expired at the end of 2021 and were extended by the authorities to 30 June 2022 for the Termoli municipality and to 31 December 2022 for the Campagnano municipality, for the time necessary to activate the procedures for takeover and handover to the new Manager.

The Service Contract with the Municipality of Valmontone expires in April 2022.

Since 1993, the company has managed the water service in the **Municipality of Termoli** and, since 1999, also the urban waste water purification service, by virtue of the relevant agreements no. 170 of 30 June 1993 and no. 778 of 18 January 1999.

At the request of the Manager, Acea Molise, in 2019, the said Conventions were revised by the Municipality of Termoli, with the aim of standardising the management of the entire water sector in the city in a single document, and of adapting the contractual regulatory framework to the changes in the sector over time, in particular, to the standard convention approved by ARERA with Resolution No. 656/2015/R/ldr of 23 December 2015.

On 17 December 2019, the Municipality of Termoli, with Council Resolution No. 299, approved the new revised Management Agreement according to the scheme of the ARERA standard Agreement.

Finally, in June 2021, the senior management of Acea Molise Srl favourably considered the opportunity to prepare and submit to the Municipality of Termoli (CB), as promoter, a "Finance Project for the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli". The Company's administrative and technical departments then prepared the Finance Project, and it was officially submitted to the Termoli Municipality on 1 October 2021. Subsequently, on 9 December 2021, by means of Council Resolution no. 276, the Municipality of Termoli positively assessed the submitted Private Finance Project, declaring

it to be of public interest. Under the conditions described, the Integrated Water Service carried out by Acea Molise, which expires on 31 December 2021, will be technically extended for the time necessary to carry out the relevant tender. For the purpose of business continuity, it is recalled that in the event that more economically advantageous tenders are submitted during the tender, Acea Molise, as promoter of the Project, has the right of pre-emption.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023.

With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/ldr ARERA approved the tariff proposal.

The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.

Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: (i) Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, (ii) RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.

At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. The new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate. The amount for tariff revenues entered in the 2021 financial statements represent the GRC value recognised to the operator.

On 18 December 2020, the Executive Council of the Tuscan Water Authority, with Resolution no. 7, approved the tariff proposal for the years 2020-2023 (according to ARERA Resolution 580/2019/R/idr of 27 December 2019) to be submitted for ARERA approval. On 28 September 2021 with Resolution no. 404/2021/R/idr, ARERA approved this proposal. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020-2023 were also approved. The maximum amount of the residual portion of the adjustment components, as per art. 27 of Annex A of Resolution 580/2019/R/idr, provided for in the tariff after 2023, totalling € 2,895,690, was also indicated.

As is known, with Resolution 639/2021, ARERA recalculated the WACC for the years 2022 and 2023. For the same level of investment, this will result in a decrease in the Financial and Tax Charges recognised and this decrease is partially offset by the revaluation of the RAB due to the deflator.

In relation to the recognition referred to in art. 29-*bis* Annex A “Other regulations for adjustments in compliance with the rulings of the Council of State concerning the tariff calculation rules relating to the years 2012 and 2013 as well as to the period from 21 July to 31 December 2011”, for Acque they will have effect in relation to point “d” concerning the recalculation of the remuneration of capital and point 27-*bis*2, relating to recognition of the financial burden Kd on adjustments with expected positive effects.

Furthermore, in relation to the average defined cost for electricity, Acque appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.

Finally, it should be noted that as of 1 January 2022, the Company will take over from Acque Toscane in the management of the water service in the municipalities of Montecatini and Ponte Buggianese.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.

With regard to the new tariff structure, with Resolution no. 29/2016 of 5 October 2016 the AIT approved the tariffs for the second 2016-2019 regulatory period (MTI-2) pursuant to the ARERA Resolution no. 664/2015. With resolution 687/2017R/idr ARERA approved the tariffs proposed by the Tuscany Water Authority on 12 October 2017. Following the approval of the new tariff structure envisaged by the ARERA Resolution no. 665/2017/R/idr (TICSI), Publiacqua has billed according to the new structure since August. Finally, with Resolution no. 24 of 7 December 2018 the AGB approved the 2018-2019 tariffs and at the same time approved extension of the Company's concession until 2024. The Company then began a market survey with the main financial institutions, aimed at verifying the availability and economic conditions to proceed with the disbursement of a medium/long-term bank loan aimed in part at extinguishing existing financial exposures and in part at supporting the investments

provided for in the new approved Works Programme. On 18 June 2019 the banks were invited to submit a binding offer on the basis of a term sheet. Following the offers received, on 31 July 2019 the Company signed the new loan for € 140.0 million divided among 5 lending banks. The **Base Line** must be used for the full repayment of the existing Loan stipulated on 30 March 2016 with BNL and Banca Intesa for the payment of the ancillary costs of the new Loan and for the requirements related to the realisation of the investments envisaged in the EFP, while the **Investment Line** will be used to fully cover the requirements for further investments envisaged in the EFP. Among the conditions precedent to the disbursement of the loan, the lending banks have requested ARERA's approval of the new Tariff Plan, including the extension of the concession. On 6 February 2020, ARERA sent a communication on the tariff provisions for the Integrated Water Service for the two-year period 2018-2019 confirming the validity of the tariff determinations adopted (and consequently the approval of Publiacqua's 2018-2024 Economic and Financial Plan), for which the suspensive condition could be exceeded after the end of the year. It is noted that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation. On 16 February 2021, with Resolution no. 59/2021/R/idr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/idr and related Annex A, containing “2020-2023 Water Tariff Method MTI-3”.

On 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.

With reference to the relations with the Tuscan Water Authority, it is noted that:

- with resolution of the Board of Directors no. 20/2021, the Single Supply Regulation for the integrated water service was approved, which will come into force as of 1 July 2022. The drafting of the Addendum, technical attachments, and ancillary services pricing, which will complete the Single Regulation documentation, remains in process and should be completed by the first half of 2022;
- with Meeting Resolution no. 25/2021, the regional regulation on how to utilise the number of family members of direct and indirect residential users for tariff purposes has been approved. This regulation governs the procedures for updating the data of the family members for the correct application of the tariff linked to per capita consumption for resident domestic users.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031.

With regard to the update of the tariffs for the period 2018-2019, on 27 July 2018, based on the actual data collected referring to the years 2016 and 2017 and the Investment Plan, the AIT approved the tariff revision proposal, setting the GRC and the Theta of the

years 2018-2019 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 17/2018 of 27 July 2018). Following further analysis of the greater needs for AdF investments related to technical quality, with Resolution no. 10/2019 of 1 July 2019 the Executive Council of the Tuscan Water Authority produced and submitted to ARERA a new tariff proposal with re-modulation of the 2031 deadline, which the Authority finally approved with Resolution no. 465/2019/R/ldr of 12 November 2019, confirming the levels of the original 2018-2019 proposed theta. On 27 November 2020, based on the actual data collected referring to the years 2018 and 2019 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal with the MTI-3 scheme, setting the GRC and the Theta of the years 2020-2023 and also redesigning the entire tariff profile until the end of the IWS concession (Deliberation of the Executive Council of the AIT no. 6/2020 of 27 November 2020). This tariff proposal was then sent to the Tuscan AGM by ARERA and approved by ARERA on 2 March 2021. Total revenues of the period, including adjustments to pass-through items, amounted to € 111.8 million and a share of FoNI equal to € 11.1 million.

Umbra Acque

On 26 November 2007, Acea was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA 1 Perugia for selection of the private minority industrial partner of Umbra Acque SpA (expiry of the concession on 31 December 2027). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.

The tariff applied to users for the year 2019 is the rate applied to users was determined by Resolution No. 489 2018/R/ldr of 27 September 2018 with which ARERA approved the updating of tariff arrangements for the two-year period 2018-2019, previously proposed by the Assembly of Mayors of the AURI with Resolution no. 9 of 27 July 2018. Finally, we inform you that on 29 December 2018 the request to extend the duration of the assignment to 31 December 2031 pursuant to art. 5.2 and 5.3 of the Convention and Resolution 656/2015/R/ldr was formally sent to AURI and ARERA. It should also be noted that the determination of the new tariff plan for the 2020-2023 regulatory period (MTI-3), approved by ARERA with Resolution 36/2021/R/ldr on 2 February 2021, includes the outcome of the request to extend the duration of the contract from 4 March 2028 to 31 December 2031 and the acquisition of the new structured loan linked to a bankable regulatory EFP could be significantly reflected in the company's operations, and therefore in the pursuit of the Company's institutional objectives. It should also be noted that following Resolution no. 639/2021/R/ldr, ARERA established the criteria for the two-yearly update (2022-2023) of tariff calculations. In the coming months, the Company will therefore be called upon to participate with AURI in the calculation of tariffs and the related plan of operations for the next two years.

As of 31 December 2021, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/ldr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which provide for 2021 an applicable theta of 1.105 and an increase of 4.44% compared to 2020. The average tariff €/mc was € 2.85 at 31 December 2021. The num-

ber of users served was approximately 234 thousand, substantially unchanged compared to the previous year. In terms of volumes, as of 31 December 2021, approximately 28.2 million cubic metres of water had been invoiced (measured and estimated), up from the previous year (+2.2%). The Assembly of Mayors of the AURI, with Resolution no. 10 of 30 October 2020, approved the proposed MTI-3 tariff for the four-year period 2020-2023 (Tariff Plan or TP), the relative regulatory Economic and Financial Plan (regulatory EFP) and associated Works Programme (WP), providing approval with the same Resolution for extension of the concession to 31 December 2031.

Geal

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with Resolution no. 726 of 26 October 2017 and approved the related update with Resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the $Opex_{QT}$ component for € 180,000/year. Regarding the four-year period 2020-2023, on the basis of the rules established by ARERA Resolution no. 580 of 27 December 2019, GEAL provided all documentation required for preparation of the new plan in the initial months of 2020, in line with the deadlines set by the AIT. On the basis of this data and the verifications carried out jointly by the Company and ARERA, the tariff provisions for the years 2020-2023 was prepared, and subsequently approved with AIT Resolution no. 4 of 28 September 2020. The dynamics of tariff increases planned for the four-year period 2020-2023 are the same as those approved by ARERA in 2018, even though the new rules of the MIT-3 have imposed new limits on operators. We can note that with ARERA resolution no. 265 of 22 June 2021, the tariff structure for 2020-2023 was approved. In particular, this resolution confirmed the increases envisaged by AIT resolution no. 4 of 28 September 2020, equal to 6.2% for each of the 4 years. Since the ARERA resolution of 22 June 2021 confirmed the content of the previous AIT act, there was continuity in the calculation of the tariff for the entire year. It should be noted that there are eight types of use, including that relating to domestic use, differentiated between residents, non-residents and condominiums, and that the variable portion of the domestic tariff for residents is defined on the basis of the actual number of members of the household of each user.

Servizio Idrico Integrato Terni Scpa

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria no. 2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no.4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. There are about 121 thousand users served and the quantity of water supplied during 2021 is 12.8 million cubic meters.

As mentioned, on 16 November 2020 the Extraordinary Shareholders' Meeting, approving the revision of the by-laws that provided for a change in the industrial governance, enhanced the role of planning, monitoring and control of the public shareholders, and at the same time made effective an corporate reorganisation operation through the sale of 15% of the shares by the shareholder ASM Terni SpA to the shareholder Umbriadue Scarl. The changes also enabled full consolidation of SII in the Acea Group financial statements. On 10 March 2021, AURI approved the new version of the Service Charter, updated pursuant to ARERA Resolutions no. 655/2015 (Contractual Quality), no. 218/2016 (Regulation of the Measurement Service), no. 917/2017 (Technical Quality), no. 311/2019/R/idr (REMSI) and no. 547/2019/R/idr (Short Prescription). Finally, on 22 June 2021, the AURI approved the regulation for the application of the supplementary water bonus. During the second half of the year, the Company made the necessary IT developments and will apply them retroactively from the first billing cycle of 2022. In September, the company submitted a request to AURI to reschedule its investments in order to intercept the deviations that had occurred up until then between the planning and the realised results. After various discussions and the realignment

of the amount of investments for extraordinary maintenance to average values identified by AURI through a benchmark analysis, with Assembly resolution No. 20 of 21 December 2021, the AGB approved the remodulation of investments. Lastly, it should be noted that in May the Company submitted a waiver request to the financing banks with a change in the financial parameters established in the loan agreement signed on 16 November 2020. The Institutions approved the Company's proposal and its updated EFP, which, compared to the originally funded EFP, incorporated the new tariff schedule from MTI-3. As a consequence, the Company pulled the remaining part of the loan of € 5 million. With the closure of the disbursement in July in accordance with contractual provisions, the Company signed two derivative contracts to hedge interest rate risk for the equivalent of € 16.65 million.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and 2020-2023 regulatory period.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the $Opex_{QC}$. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the $Opex_{QC}$. Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with $Opex_{QC}$ as of 2017. Approval by ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. ARERA warned the EIC on 2 July 2021, and with a resolution of 12 August 2021 it approved the 2020-2023 tariff proposal.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the $Opex_{QC}$. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (θ) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised $Opex_{QC}$) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{QC}$. On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (θ) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to art. 5, paragraph 5.5 of ARERA Resolution 580/2019/R/ldr MTI-3 of 27 December 2019. The CWA convened the Executive Committee for this coming 22 July (minutes on closure of the activities of checking the minutes of 31/7/20) following the notice from ARERA received on 2 July 2021.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/ldr of 25 May 2021.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{OC}$. The ARERA then approved them in Resolution 764/2016/R/ldr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018.	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.
SII Terni Scpa	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.

For more details on the matter, see the paragraph "Service Concession Report".

REVENUE FROM THE INTEGRATED WATER SERVICE

The table below indicates for each Company in the Water Segment the amount of revenue in 2021 valued on the basis of the new MTI-3 Tariff Method. The data also include the adjustments of passing items and the FoNI component.

Company	Revenue from the IWS (pro quota values in € million)	FoNI (pro quota values in € million)
Acea Ato2	677.6	FNI = 56.1 $AMM_{FoNI} = 13.4$
Acea Ato5	80.8	FNI = 3.9 $AMM_{FoNI} = 5.2$
GORI	209.4	$AMM_{FoNI} = 4.4$
Acque	71.2	-
Publiacqua	97.3	FNI = 2.7 $AMM_{FoNI} = 10.4$
AdF	111.8	$AMM_{FoNI} = 11.1$
Gesesa	12.9	$AMM_{FoNI} = 0.2$
Geal	8.6	$AMM_{FoNI} = 1.1$
Acea Molise	5.4	-
SII	38.0	$AMM_{FoNI} = 1.1$
Umbra Acque	30.7	$AMM_{FoNI} = 1.2$

ENERGY INFRASTRUCTURE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Electricity distributed	GWh	9,172	9,096	76	0.8%
Number of customers	no./1,000	1,647	1,644	4	0.2%
Km of Grid (MV/LV)	km	31,160	30,785	375	1.2%
2G Metering Groups	no.	316,176	59,275	256,901	n.s.

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	626.0	618.7	7.3	1.2%
Costs	254.4	251.1	3.3	1.3%
EBITDA	371.6	367.6	4.1	1.1%
Operating profit/(loss) (EBIT)	217.4	209.1	8.3	4.0%
Average workforce	1,275	1,269	6	0.5%
Capex	274.5	286.2	(11.7)	(4.1%)
Net Financial Position	1,583.9	1,342.5	241.5	18.0%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Energy Infrastructure Segment	371.6	367.6	4.1	1.1%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	29.6%	31.8%	(2.2 p.p.)	

The EBITDA for the segment at 31 December 2021 was € 371.6 million, an increase of € 4.1 million compared to 31 December 2020. EBITDA of **areti** increased by € 3.0 million as a result, among other things, of the margin deriving from the Open Fiber order (+€ 1.5 million), the effects of the resilience plan (+€ 2.2 million) and lower operating costs (-€ 1.7 million), partly offset by the effects deriving from energy balancing (-€ 2.1 million); as at 31 December 2021 areti distributed 9,172 GWh to end customers, slightly up on the previous year.

The EBITDA of **public lighting**, a negative € 3.4 million, recorded a worsening of € 1.0 million compared to 31 December 2020 due to lower revenues, mainly due to lack of authorisations for new constructions.

The average number of employees increased slightly compared to the previous year (+6 employees).

The operating result was primarily affected by lower amortisation and write-downs for the period (-€ 1.2 million), in line with lower investments compared with the previous year, and lower write-downs (-€ 1.9 million).

Investments amounted to € 274.5 million, recording a decrease of € 11.7 million and refer mainly to the expansion and upgrading of the HV, MV and LV grids, work on the primary stations, secondary substations and meters, metering groups and remote control

equipment as part of the network “Adequacy and Safety” and “Innovation and Digitisation” projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems.

The net financial position stood at € 1,583.9 million at 31 December 2021, an increase of € 241.5 million compared with 31 December 2020, due in part to the growing volume of investments, the dynamics of operating cash flow and the impact of energy items due to regulatory effects (reduction in system charges).

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 31 December 2021 the total receivables accrued by the Company amounted to € 69 million, including billed interest. Such interest was excluded from the mechanism for the reinstatement of general charges by Resolution 300/2019/R/eel and subsequently readmitted to the mechanism by Resolution 495/2019/R/eel.

With Circular no. 2/2020/elt of 30 January 2020, CSEA prepared a method for adding the applications already submitted in order to include the portion relating to interest on arrears invoiced in accordance with the initial provisions of art. 1.4, letter a), number iv) of Resolution 50/2018//R/eel. On 18 February 2020, a formal request to participate in the mechanism for reimbursing the default interest billed was formally submitted and the amount requested was received equal to € 2.9 million on 30 March 2020.

On 27 December 2019 Resolution 568/2019/R/eel was also issued, which provides for the reimbursement of amounts due not otherwise recoverable relative to network services equivalent to the model for the recognition of uncollected general system charges. This mechanism was confirmed with Resolution 461/2020/R/eel published on 19/11/2020, which better defined the methods for access to the reimbursement request. This Resolution included recognition of tariff fees for electricity metering, distribution and transmission services, the UC3 and UC6 tariff components and certain fees for specific services, regarding invoices expired by at least 12 months, net of a 10% deductible.

The Authority set date of 30 June 2021 as the limit for presentation of applications for admission to the mechanism, nevertheless offering DSOs the option, to request a 50% advance of the reimbursement amount due with requests to be sent by 7 December 2020 and payment by 31 December 2020. Areti SpA therefore decided to take advantage of this option, sending a request for participation on 4 December 2020. The total amount for network services for Gala for network tariffs uncollected is approximately € 11.0 million, while the amount paid by CSEA with value date 30 December 2020 as payment of balance was € 5.4 million. On 30 June 2021, the request was completed to settle the shortfall due to the non-collection of the network services tariffs; as established by art. 2.5 of Resolution 461/2020/R/eel, the CSEA, having approved the application for admission sent by areti, recognised with value date of 28 September 2021, the amount of € 5.1 million as the balance of the uncollected Gala network tariffs.

In July 2021, the additional 2021 request regarding the reinstatement of the general system charges was also submitted to CSEA, as provided for in CSEA Circular no. 13/2021/elt. As a result of the collection received from Gala in June 2021, following the Court of Rome ruling no. 8096/2021, areti has taken steps to make the calculations for the restitution of the general system charges collected in the previous requests. These calculations resulted in the amount to be repaid to CSEA, equal to approximately € 3.2 million, being paid at the end of October 2021.

Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses accrued over time, the reduction in the value of the Areti receivable from Gala was prudentially determined.

From the regulatory perspective, with the aforementioned Resolution no. 32/2021/R/eel of 2 February 2021 published on 5 February 2021, ARERA made provisions related to the mechanism for recognising, in favour of sellers, the general system charges not collected from end customers and already paid to the distribution companies, with the strategic aim of improving the risk management tools through the implementation of measures intended, on the one hand, to guarantee the system and end customers with respect to the economic conse-

quences of possible sales operator default and, on the other, to ensure the solidity and reliability of the processes involving them, keeping their exposure under control and contained with evolution of the minimum guarantee systems and the recovery mechanisms for unpaid payments of sellers with particular reference to the portions related to general system charges in the electricity sector.

The measure, which concluded the procedure to comply with the rulings of the aforementioned administrative courts, follows the guidelines expressed in the consultation document no. 445/2020/R/eel and establishes a **mechanism for recognising**, in favour of sellers, the general system charges not collected from defaulting end customers and in any case already paid by the sellers to the distribution companies, by providing for their payment by the CSEA. Furthermore, the measure supplemented the rules on guarantees in the transport contracts, regarding their sizing with reference to general system charges.

The Mechanism covers the period between 2016 (entry into force of the Standard Network Code) and any adoption of specific measures, including legislation, aimed at a different management of the collection chain of general system charges and the related system of guarantees.

Parties that benefit from it are therefore users of the transport system provided by the distribution companies, holders of existing or terminated transport contracts which, as sellers, are the only contractual counterparty with the obligation to pay general system charges to the distribution companies (pursuant to art. 3, paragraph 11 of Italian Legislative Decree 79/99).

At the same time, the measure continues to require that the distribution companies have the right to request (and the sellers, users of the transport service, must provide): (a) suitable guarantee of payment of the entire fee for the service, including the part related to general system charges, albeit at a conveniently reduced amount so that it represents the best estimate of the amounts normally collected by the sellers from their end customers; (b) payment of the total amount of the fee invoiced and therefore also any portion of the part related to any general system charges not (yet) collected, now without prejudice to the benefit of the reimbursement mechanism envisaged by Resolution 32/2021.

Resolution 32/2021 therefore confirmed:

- the obligation, arising from primary legislation, for the seller to pay in full the system charges invoiced by the distributor, which in turn has the obligation to repay them in full to GSE and CSEA;
- the right of the seller, limited to the charges not collected from end customers but paid to the distributor, to access the offsetting mechanism set out by Resolution no. 32/2021;
- the regulatory framework previously envisaged with Resolution 109/2017, including the obligation for the seller to provide the guarantee in favour of the distributor, according to the parameters indicated herein related to the best estimate of the amounts normally collected from end customers;
- recognition of the right of the distributor to govern contractually with the seller a suitable guarantee clause for compliance with the seller's obligations;
- recognition of the right to access the offsetting mechanism in favour of the seller as of 2016, including in the case of a contract terminated by the distributor due to non-compliance (of said seller);
- the obligation of the seller to collect system charges from the end users and, with the professional due diligence pursuant to art. 1176 of the Italian Civil Code, to recover arrears from end

customers, being the only party designated to interact with the latter, in fact and in law.

Finally, it is noted that, with notice sent to Areti as a counterparty on 2 April 2021, **Gala SpA** filed an **appeal** before the Council of State in order to: (i) ascertain and penalise the alleged non-compliance with rulings of the Council of State nos. 5619/2017 and 5620/2017 of 30 November 2017 and, at the same time, (ii) partially annul Resolution 32/2021/R/eel of 2 February 2021 (on the reimbursement of traders in case of failure to collect the GSCs) due to circumvention of the aforesaid ruling. In summary, Gala considers that the aforesaid rulings of the Council of State – which, by partially annulling the network code, confirmed that system charges apply to end customers (as parties obligated to pay them) and reiterated the absence of the power of the Authority to transfer onto the Traders the obligation to pay the system charges (as deriving from the imposition of guarantees to cover said charges, in addition to the right of the distributors to terminate the contract with the Traders in the event of failure to pay said system charges) – have not been adequately met by ARERA with the subsequent administrative measures issued, the last of which is Resolution no. 32 mentioned, which reiterates the technicalities already omitted, thus breaching the aforesaid rulings.

Given the unusual procedural motion – Resolution no. 32/2021 was not appealed by Gala before the Regional Administrative Court before the deadline and the part appealed before the Council of State was not indicative of new elements with respect to the previous resolutions on the matter – a rejection due to lack of grounds is foreseeable; nevertheless, the intention of Gala could be to obtain the *obiter dicta* for use in the pending civil cases.

On 1 July 2021 a hearing in closed session was held, after which the Council of State, with an enquiry order, ordered a supplement to the discussions in relation to the parties of the cases defined by the compliant judgements not evoked, namely Green Network SpA, Utilitalia, Aiget - Associazione Italiana di Grossisti e Trader, Esperia SpA and the Bankruptcy Esperia SpA in Liquidation; the Council of State also asked ARERA to clarify the calculation procedure followed for determining the General System Charges normally collected. The case was adjourned to the closed session of 21 December 2021. With an order communicated on 27 December 2021, Gala was put back on time in order to renotify the integration of the cross-examination of Utilitalia; at the same time, the case was referred to Section II for the establishment of the council chamber for discussion of the appeal.

In this regard, it is useful to specify that, from a survey carried out on the portal of the administrative court, three appeals are still pending for the aforesaid Resolution no. 32/2021, one of which (592/2021) filed by the association of traders and resellers “ARTE”. The appeal was entrusted to the same legal expert of Gala and the request addressed to the administrative judge is the same one formulated in the aforementioned compliance proceedings.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the “2G Digital Meter” project was launched by Areti with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA Resolution 306/2019/R/eel.

Following the selection procedure of the supplier of the field

equipment (meters and concentrators) and the related Central Purchasing System (Management Centre) concluded in September 2019 with the publication of the award and subsequent submission to ARERA of the Request for Authorisation to Recognise Investments (RARI), which were followed in 2020 by preliminary activities related among other things to the assessment of the suitable actions to counter the spread of the Covid-19 epidemic, ARERA with resolution no. 293/2020 of 28/7/2020 approved Areti’s PMS2 (commissioning plan of 2G Metering system), as per the latest revision presented on 14 July 2020 and set the date for initiation of Areti’s PMS2 as 1 January 2020, admitting the investments regarding the 2G smart-metering system of Areti to the scheme for specific recognition of capital costs, starting from the same date.

Considering the difficulties linked to Covid-19 and in line with the restrictions and operational limits to contain the spread of the virus, installation continued of the concentrators and 2G meters, launched in the second half of 2020. On 31 December 2021, the number of installations performed was approximately 10,800 concentrators and 374,000 meters, in line with the targets set in the RARI.

To ensure compliance with the new measurement processes and the operation of the new technology (concentrators and electronic meters), a complex evolution of the areti application map was required. In addition to the introduction and integration of a new system for remote management and remote reading of the second-generation field equipment (Beat Suite), it was necessary to make changes to the main applications related to logistics and warehouse processes, field processes (replacement of the concentrator and first generation meter), commercial systems (development and management of the PDFM system), integration systems (middleware) and WFM and mobile systems, in addition to the development of a new metering acquisition, validation and publication system.

In particular, the progress of the development activities of the application map allowed for the release of all the functions planned for the wave date of December 10. Further milestones will follow in the course of 2022 to release integration and optimisation features in addition to what has already been implemented in the new application map.

Since May, the new corporate website was published online containing a large section dedicated to the new 2G digital meter.

The activities dedicated to the refinement of the new operational and managerial reporting continued, as did the adjustment of the existing reporting. At the same time, data are being made available for the analytics systems with a view to monitoring the new processes for measurement and mitigation of risks to the regularity of the metering service.

Areti’s single EData Lake

In 2021, the analysis environment of data for the distribution business was further extended. The calculation infrastructure operates in the Google Cloud environment. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management.

As for data integration, to date the following are available:

- 1G remote management system, both for Landis and GME meters;
- Company Electric GIS mapping system;
- Company IP GIS mapping system;

- Integrated Low Voltage Network Survey in all tabular areas;
- SAP (IS-U and MDM);
- TESS system (commercial quality);
- Radar/Meteo weather data recorded and forecasts;
- SAP PM;
- SAP MM;
- SAP IS-U PDFM;
- Remote management system;
- Remote control system: load profiles at 10 minutes;
- ORBT history (selection of several tabular areas).

Network diagnostics and monitoring project

The project is divided into three main lines of action:

- Primary station diagnostics;
- Substation diagnostics;
- Overhead line diagnostics.

1. Primary station diagnostics with UGV Drones

The project involves the development of an UGV (Unmanned Ground Vehicle) prototype for autonomous or remotely piloted inspection of primary stations. The Autonomous UGV drone has sensors for detecting environmental parameters (temperature sensors, partial discharges, cameras) and sensors for moving autonomously in the environment (lidar, GPS and cameras). It executes inspection plans independently and can be remotely controlled for targeted security checks and operations. The system may also transmit inspection information to an operator located at a location other than the place of operation.

In 2021, the construction and testing of the Autonomous drone charging station was completed, where the drone is able to park and charge autonomously at the end of missions. Developments related to the control room and improvements to on-board sensor management resulting from the initial experiment are being released.

2. Substation diagnostics (CS-Plus)

The project involves testing an integrated IoT solution for remote monitoring, diagnostics and management services: e.g., environmental parameters, digital access management, etc.

In 2021, developments were completed for the two PoCs aimed at testing an access control solution for the Substation and Roadside Cabinet. Field experimentation was also completed with the installation on four Secondary Cabinets of the IoT solution with services for 1. access control, 2. ambient temperature, 3. transformer temperature, 4. humidity, 5. Flooding.

3. Overhead line diagnostics

The project involves the combination of periodic analyses of satellite images using artificial intelligence algorithms (developed to detect man-made and/or vegetation interference) and targeted inspections with drones to enable a continuous monitoring of overhead lines.

During 2020, the platform for management of the process was developed and went live and operation of the process itself was launched. The process was found to be highly innovative both by the Politecnico di Milano university Drone observatory and Space Economy observatory. In 2021, installation of the system continued, as did optimisation of the platform's features. The GIMMI project was also presented by Areti to the final conference of the Drone Observatory at the Utility table alongside Eni and Enel. Field

inspections performed in conjunction with the HV and MV Asset Management units are currently underway.

Development of Areti telecommunications network

The TLC project involves the creation during 2020-2021 of a high-speed and high-reliability fibre-optic network that will link all primary stations, which constitute the main backbone of the telecommunications network and from which all smart-grid services will be launched, and the linking of around 150 substations via fibre optic. This network will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment. This network will also allow implementation of advanced automation for substations linked by fibre optic, in order to significantly improve the quality of the electricity service.

Over a three-year period, all primary stations will be linked via fibre optic (owned or IRU) and about a thousand substations will be connected to the main network. This objective will be made possible thanks to the synergy between the optimisation of the electrical grid and the laying of fibre optics, which will substantially reduce the impact on the territory by reducing the inconvenience for the public.

LV and PL remote control

In 2021, the number of secondary substations remotely controlled in LV amounted to 300 and corrective actions have been carried out and new functionalities have been implemented on the SCADA, in order to provide a more stable and complete system for the monitoring of events and measures on the low voltage network.

In particular, the visualisation on the SCADA map of assets and guidelines has been made easier, new reports have been released to identify situations of particular interest and a more effective management of the activities on the network has been guaranteed, thanks to the functionality that allows for the assignment to each Room operator (automatically and/or manually) of the complete supervision of a part of the network. Furthermore, the possibility of simultaneous configuration activities on LV network assets by several operators has been implemented and data on events occurring daily on the distribution network have been made available automatically to external systems.

The new SCADA system for the management of public lighting equipment is currently capable of remotely controlling more than 2,500 installations. This system is also undergoing continuous corrective and evolutionary maintenance to improve its functionality. Among that with the greatest impact, the management of the automatic reclosure of protection devices in the field has been made available, which will allow for, depending on the event that caused the disruption, restoration of the functionality of the equipment without the intervention of teams on site. Furthermore, in addition to an easier visualisation on the map of assets and guidelines, new reports, the availability of data from external systems and the simultaneous management of configuration activities similar to the LV network, the calendar has been implemented for the suitable management of alarms during the daily switching on and off of public lighting systems.

Public Lighting

In 2021, extraordinary maintenance and modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects. Regarding the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it Areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 08.02/2021, Roma Capitale communicated the

results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between RC and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea/areti’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables.

GENERATION

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Energy produced (hydro+thermal)	GWh	599	524	75	14.4%
- of which hydro	GWh	428	370	57	15.5%
- of which thermal	GWh	172	154	18	11.7%
(Photovoltaic) Energy Produced	GWh	71	64	8	12.2%
Energy produced (cogeneration)	GWh	40	41	(1)	(3.2%)

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	126.3	79.1	47.2	59.8%
Costs	46.8	33.7	13.1	38.9%
EBITDA	79.5	45.4	34.1	75.2%
Operating profit/(loss) (EBIT)	49.4	18.1	31.2	172.1%
Average workforce	88	84	4	5.0%
Capex	39.4	39.0	0.5	1.2%
Net Financial Position	237.0	224.2	12.7	5.7%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Energy Infrastructure Segment	79.5	45.4	34.1	75.2%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	6.3%	3.9%	2.4 p.p.	

EBITDA at 31 December 2021 was € 79.5 million, an increase of € 34.1 million compared to 31 December 2020, mainly due to **Acea Produzione** (+€ 25.5 million) as a result of the increase in both the volumes produced and the higher water contributions (+55.1 GWh) and the prices on the energy markets (+60.67€/MWh). The increase in margins also refers to **Ecogena** (+€ 2.5 million) partly due to in-

come from the sale of Alfasigma’s cogeneration plant (+€ 0.6 million) and for the remainder to higher revenues from activities relating to design and permitting services for the Acea Group’s mobility plan. Finally, EBITDA for the photovoltaic segment, identifiable with the scope of the operating subsidiaries of Acea Sun Capital and Acea Solar, was € 17.3 million, up by € 5.3 million primarily due to the

effect of the change in scope. As extensively described in the paragraph “Information on IFRS 5” of the Notes to the Financial Statements, at the end of the year a contract was signed for the sale of certain companies in the photovoltaic sector, which in 2021 contributed € 16.5 million to EBITDA. The closing of the transaction and the related sale of the equity investments will occur by 2022.

The average workforce was in line with the previous year. Note that the photovoltaic companies do not have employees.

Investments amounted to € 39.4 million and are mainly attributable to **Acea Produzione** (€ 17.5 million), mainly for the installation of the third engine at the Tor di Valle thermal power station, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating grid in the Mezzocammino district in the south of Rome, to the investments made by **Acea Solar** (€ 10.5 million) developed by Aiem, Solarfields and Enertronica and by Fergas (20 MW) for the construction of photovoltaic plants on both agricultural and industrial land and to **Fergas Solar** (€ 10.4 million) for the Ferrandina plant.

The net financial position stood at € 237.0 million as at 31 December 2021, an increase of € 12.7 million compared with 31 December 2020. The changes are mainly linked to the dynamics of acquisitions of companies in the photovoltaic segment and operating cash flow.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

Production of electricity

The production system of Acea Produzione currently consists of a series of generation plants with total installed capacity of 229.2 MW, composed of five hydroelectric plants (three located in Lazio, one in Umbria and one in Abruzzo), fifty-two photovoltaic plants (with installed capacity of 8.6 MWp), two “mini hydro” plants, Cecchina and Madonna del Rosario and two thermoelectric power stations, Montemartini and Tor di Valle. The latter, the subject of a major repowering completed in late 2017, was affected by an expansion already authorised in the IEA of 2015 and commenced in the second half of 2020 through the installation of the 3rd engine. The plant was launched for commercial operation on 9 July 2021 allowing the Company to meet its commitments under the capacity market auction award during the 2022-2037 period. The power plant in its current configuration consists of three high-efficiency natural gas-fired engines each with an electrical output of 9.5 MW, for a total of 28.5 MW, as well as three integration boilers and 6 storage tanks. In addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.

The Company is proceeding with the authorisation process for the installation of 2 new cogeneration units, with a capacity of 1.5 MW each, which will be powered by the biogas coming from the Rome South Treatment Plant and will produce electricity to be fed into the grid and thermal energy that will be supplied to the treatment plant and partly fed into the district heating grid.

Activities to improve the quality of the district heating service continue, with extraordinary maintenance of the district heating grid involving both the renovation of the delivery substations and the replacement of several important sections of piping. In particular, the doubling of the section of piping from the Tor di Valle power plant was commissioned. With reference to the activities put in place to meet the requirements introduced by ARERA relating to technical quality, a toll-free number dedicated to emergency reports was launched on 1 January and the new GIS platform was put online, which will enable management, monitoring and reporting of technical interventions carried out on the district heating grid.

In addition to the production assets described above, Acea Produzione, following the disposal of plants during the year 2021, owns photovoltaic plants for an installed capacity of 3.1 MWp in addition to those owned by its subsidiaries.

In 2021, the Company generated a volume of 540.1 GWh through the directly owned power plants. During the period, the Company's production was subdivided into hydroelectric plant production of 424.6 GWh, production from mini-hydro plants of 3.2 GWh, thermoelectric production of 102.7 GWh and photovoltaic production of 9.6 GWh. The Company's production mix is mainly from renewable sources with “green” production representing approximately 81% of the total. In addition, about 60% of total production is incentivised following investments in hydroelectric power plants or participation in the “feed-in tariff” scheme for the photovoltaic segment.

With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 68.63 GWh (thermal), for a total of 3,581 utilities served (266 condominiums and 3,315 real estate units).

With particular reference to hydroelectricity, the sector recorded an overall production of 427.8 GWh, higher than the historical ten-year average (+1.1%), due to the greater contribution of the flowing plants of C. Madama, Mandela and Orte (+18.3%), despite the decrease in the S. Angelo power plant. In fact, the production of the power plant recorded a reduction (-3.8%) compared to the 10-year averages and the average 2021 contributions of the Aventino (3.5 mc/s) and Sangro (12.6 mc/s) rivers, which belong to the catchment basin on which the power plant supply works rest, were -22.6% and +4.8% respectively compared to the average of the previous three years 2018-2020. In view of the level of contributions in 2021, the maximum reservoir level was exceeded at the Bomba Dam during the late January - early February period and the current lake levels reached 248.60 and 251.24 metres above sea level, respectively.

Finally, the photovoltaic sector (52 plants for a total of 8.6 MWp) recorded production of 9.6 GWh, which was lower than estimated production due to the prolonged revamping of the Orvieto and Monte Mario plants.

Co-generation

The Company's production system as at 31 December 2021 consists of a set of cogeneration plants, whose total electrical, thermal and cooling capacity has been reduced as a result of the conclusion of the two contracts referring to the Prepo and Alfasigma plants, falling from a total installed electrical capacity of 4 MW to an overall electrical capacity of 1.86 MW. This amount includes the installed power related to the second cogenerator mounted at Europarco.

The plants held by the company at 31 December 2021 are en-

tirely located in the Lazio region, some of which are combined with district heating grids. In 2021, the Company achieved a production volume of electricity of approximately 6.7 GWh, thermal energy of approximately 23.3 GWh, and refrigeration energy of approximately 11.1 GWh. Compared to last year, thermal energy and refrigeration energy sold to customers is up slightly, while electricity is down due to the conclusion of the contract with Alfasigma.

With regard to Europarco's trigeneration plant, the construction of the second 400 kW cogenerator at the site has been completed.

With regard to the Porta di Roma plant, the repairs on the first cooling unit of the plant have been completed. Work was completed on moving an additional cooling unit from the Cinecittà World trigeneration plant with the related cooling tower for the upgrades to the Porta di Roma site.

Works to replace the heat pump for refrigeration energy were also completed at the Saxa Rubra plant.

With regard to the air conditioning system at Acea's data processing centre (Cedet), checks and fine-tuning were carried out on the new more efficient system. The report on the actual energy savings achieved was sent to the Customer who confirmed compliance with the energy performance guaranteed in the Energy Performance Contract (savings of 308 MWh with reference to the year from July 2020-June 2021). The final consumption of the plant with improved efficiency showed an energy saving of 30% compared to the previous use of the plant.

As part of the activities carried out by Ecogena for Acea Innovation, concerning the design project, permit and creation of charging infrastructure for electric vehicles, it should be noted that the project continues its implementation phase with regard to "WAVE I" of the project, where work remains to be completed on those positions that have suffered delays due to criticalities highlighted by SIMU (infrastructure department of the Municipality of Rome) towards the DSO, the inaction of several municipalities in the release of excavation licences or the overlap of local events that have postponed their implementation.

In the meantime, the Mayors' Conference was held for the approval of WAVE II of the project, so as of now, having passed the stage of requesting excavation licenses for the 92 approved projects out of 182 submitted, it is possible to proceed with the start of works. For the planning of WAVE III of the project, sites have been selected for development and the service contract between Ecogena and Acea Innovation is being finalised. Ecogena is also in the process of organising works for 13 sites distributed over the territories of two municipalities in the province of Rome (Velletri and Castel Gandolfo).

On the subject of the efficiency of residential buildings through tax deduction systems (see ecobonus and sismabonus) and as part of the collaboration established between Acea Innovation (owner of

the business line) and Ecogena, project assignments for over € 30 million were registered. At the same time, the first 3 superbonus worksites promoted by Ecogena have commenced, to which another two related condominiums will be added shortly, all in the province of Taranto. In December 2021, the contract for the work on the Ostia super condominium in Via Capo dell'Argentiera was signed.

In the area of cogeneration, in December 2021, a contract was signed for energy service through cogeneration technology and the construction of a 2 MWe plant. Preliminary checks are underway on other industrial prospects and, at the same time, preparatory activities are taking place for the evaluation of an opportunity in the photovoltaic sector that envisages the construction of the plant in ESCo mode, with the provision of an energy service to end customers.

New photovoltaic acquisitions and agreement to divest certain photovoltaic companies

In line with the Business Plan, the Acea Group also continued to acquire companies in the photovoltaic market during 2021. As at 30 December 2021, 18 companies were acquired for a total installed capacity of approximately 62 MW (Acea Sun Capital 46 MW, Acea Produzione 13 MW and Acea Solar 3 MW); it should also be noted that in 2021, 100% of the capital of JB Solar Srl, M2D, PSL and Solarplant was acquired (total installed capacity of 4.0 MW). Two new companies, Acea Green and Acea Renewable, were also established, to which several plants previously owned by Acea Produzione and Acea Solar were transferred. We can also note that Acea Solar, through its subsidiary Fergas Solar SpA, is the owner of a single authorisation for the construction of a 20MW solar power plant in Basilicata, has obtained authorisation for the construction of a 5 MW power plant on its own industrial land in Lazio and also has a 15 MW portfolio in Lazio. In the development of greenfield photovoltaics, Acea is also carrying out a balanced mix of projects, with particular attention to areas of an industrial nature, and has a total of over 400 MW in the pipeline.

Finally, as described in detail in the section on "Assets held for sale", at the end of 2021, Acea and Equitix signed an agreement to sell a majority stake in a newly created company to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred.

In particular, Equitix will acquire a 60% stake in the newly established company ("HoldCo") to which will be transferred a portfolio of photovoltaic plants, currently owned by Acea Sun Capital, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.

ENGINEERING AND SERVICES

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	31/12/2021	31/12/2020	Change	% change
Total number of analyses	no.	1,098,505	1,142,720	(44,215)	(3.9%)
Total number of samples	no.	37,126	36,266	860	2.4%
Worksite inspections	no.	15,577	14,904	673	4.5%
Number of projects	no.	74	103	(29)	(27.8%)
Number of EPC work sites	no.	35	34	1	2.9%

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	111.9	88.9	23.0	25.9%
Costs	94.7	74.2	20.5	27.6%
EBITDA	17.3	14.7	2.6	17.4%
Operating profit/(loss) (EBIT)	10.5	10.3	0.3	2.7%
Average workforce	441	373	68	18.1%
Capex	9.9	6.6	3.2	48.7%
Net Financial Position	28.1	31.1	(3.0)	(9.7%)

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Engineering and Services Segment	17.3	14.7	2.6	17.4%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	1.4%	1.3%	0.1 p.p.	

This Segment closed 2021 with an EBITDA of € 17.3 million, for an increase of € 2.6 million compared to the previous year. This increase mainly comes from the change in the scope of consolidation of **SIMAM** acquired in May 2020 (+€ 3.0 million). Apart from **Acea Elabiori**, the Segment also includes **Ingegnerie Toscane**, an engineering company consolidated with the equity method that provides technical support services in the water-environmental sector, **TWS**, a company that operates mainly in the construction and renovation of works instrumental to the operation of the Integrated Water Service, and in particular of water treatment plants — drinking water and wastewater — as well as design and engineering services as they relate to plant construction. These companies recorded EBITDA of € 4.2 million, € 3.4 million, € 1.5 million, respectively.

The average number of staff at 31 December 2021 was 441, an increase of 68 people compared to 31 December 2020 (373). This increase is mainly attributable to the entry into the scope of the **SIMAM** Group (+40 employees).

Investments amounted to € 9.9 million, an increase of € 3.2 million compared with the previous year, of which € 0.8 million for the consolidation of **SIMAM** and € 2.4 million attributable to **Acea Elabiori**, mainly due to the design and implementation of processes and new systems as well as extraordinary maintenance work on the Grottarossa site and equipment for the analysis laboratory.

The net financial position at 31 December 2021 was € 28.1 million, an improvement of € 3.0 million compared to 31 December 2020. This change is directly attributable to **Acea Elabiori** as a result of the requirements generated by changes in working capital.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events occurred in the period.

CORPORATE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Equity and financial results

€ million	31/12/2021	31/12/2020	Change	% change
Revenues	140.2	131.1	9.1	7.0%
Costs	179.5	165.6	13.8	8.4%
EBITDA	(39.3)	(34.6)	(4.7)	13.6%
Operating profit/(loss) (EBIT)	(67.4)	(55.7)	(11.7)	21.0%
Average workforce	704	700	5	0.6%
Capex	34.4	28.5	5.9	20.8%
Net Financial Position	443.1	283.2	159.9	56.4%

EBITDA

€ million	31/12/2021	31/12/2020	Change	% change
EBITDA - Corporate Segment	(39.3)	(34.6)	(4.7)	13.6%
EBITDA - Group	1,256.1	1,155.5	100.6	8.7%
Percentage weight	(3.1%)	(3.0%)	(0.1 p.p.)	

Corporate closed at 31 December 2021 with a negative EBITDA level of € 39.3 million, down € 4.7 million compared to 31 December 2020. The change is due to the combined effect of increased technical and IT services, consultants' fees, electricity consumption and costs linked to the Covid emergency (including the vaccine hub), partly offset by higher cost and service chargebacks to Group companies.

EBIT is a negative € 67.4 million, down € 11.7 million on the previous year as a result of higher amortisation and depreciation relating to IT projects that have come into operation and new developments.

The average workforce at 31 December 2021 stood at 704, an increase of 4 compared to the first quarter of 2020 (there were 700 employees).

Investments amounted to € 34.4 million and increased by € 5.9 million, compared to 31 December 2020. The investments relate

mainly to software licences, IT and hardware developments, as well as investments in the company offices. The increase includes € 1.6 million for the purchase of land from ATAC SpA adjacent to the headquarters and used as a car park. The acquisition was made on the basis of a competitive procedure.

Net financial position at 31 December 2021 amounted to € 443.1 million, an increase of € 161.1 million compared to the end of 2020. This change comes from Group and Acea requirements. It should also be noted that at the end of the year the acquisition for € 129 million of the equity investment in Acea Produzione previously held by Acea Energia took place.

SIGNIFICANT EVENTS FOR THE 2021 FINANCIAL YEAR

No significant events are reported during the period observed.

SIGNIFICANT EVENTS DURING THE PERIOD AND AFTERWARDS

Acea SpA: Fitch Ratings confirms Acea's "BBB+" rating and "stable" outlook

On 14 January Fitch Ratings confirmed its Long-Term Issuer Default Rating (IDR) for Acea of "BBB+" with "Stable" outlook, and the Short-Term IDR of "F2". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed.

Confirmation of the rating reflects the focus of the Group's strategy on regulated business, strong operating performance and a good level of available liquidity. These factors offset the increase in debt linked to investment programmes in innovation and sustainability included in the 2020-2024 Business Plan.

Acea SpA: successful completion of the first Green Bond placement for € 900 million

On 21 January, Acea SpA successfully completed placement of its first Green Bond issue for a total amount of € 900 million, in two series, in the context of the Green Financing Framework recently published and under the € 4 billion Euro Medium Term Notes (EMTN) programme (the "Bonds"), with the Base Prospectus as last updated on 24 July 2020 and subsequently amended on 15 January 2021. The first series totalled € 300 million, with a rate of 0% and maturity on 28 September 2025 (the "2025 Bonds") and the second series totalled € 600 million, with a rate of 0.25% and expiry on 28 July 2030 (the "2030 Bonds").

Acea enters the business of electric mobility charging services

Acea enters the business of electric mobility charging services across the country by launching the "**Acea e-Mobility**" App, which makes it possible to charge an electric vehicle at over **10,000 points in Italy**, thanks to the interoperability agreements signed with other sector operators.

The App was developed to provide customers with a useful tool for easy management of all steps in the charging service: it will be possible to locate available active charging columns, book them, charge an electric or plug-in vehicle, monitor the charging status and manage payments with the main channels available (credit/debit card, prepaid cards or Apple Pay). The **Acea e-Mobility Card** will also be available for use with other associated services. Charging points will be free to book through the App until 31 December 2021. Acea Energia also offers three different **wallbox** models that will allow customers to charge their vehicle at their own home.

Acea SpA: the Shareholders' Meeting approves the Financial Statements as at 31 December 2020 and approves the payment of a dividend of € 0.80 per share

On 22 April, the Acea SpA Shareholders' Meeting approved the Financial Statements and presented the Consolidated Financial Statements at 31 December 2020, which showed a net profit,

following allocations to third parties, of € 284.9 million. The Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 (2020 Sustainability Report) was also presented to the Shareholders.

The Meeting also approved the allocation of profit for the year as proposed by the Board of Directors and the distribution of the dividend. The total dividend (coupon no. 22) of € 170,038,325.60, equal to € 0.80 per share, will be paid starting from 23 June 2021 with coupon detachment on 21 June and record date 22 June.

Acea: up to 1,000 daily vaccinations at the Autoparco company headquarters

Offering its contribution to speed up the Covid-19 vaccination plan coordinated by the Italian Ministry of Health, Acea has provided support to institutions, starting with the Lazio Region, for the actions implemented by the Italian Government. In particular, the company has provided a vaccination hub where the local population, as well as employees, can be administered up to around 1,000 doses per day. The company "Autoparco" in Piazzale Ostiense has been fitted out as a hub for vaccinations. The area dedicated to administering them will be operational 7 days a week, with 12, 16 and even 24-hour shifts expected.

Acea consolidates its position as a leading player in the Environment sector

Acea signed an agreement for the acquisition of 65% of Deco (and through this of Ecologica Sangro). Deco operates in the waste sector in Abruzzo and is engaged in the design, construction and management of plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources. The scope of the business being acquired includes: a Mechanical-Biological Treatment (MBT) plant with an authorised capacity of 270,000 tonnes/year, a photovoltaic plant, a biogas plant and two disposal plants. Ecologica Sangro operates, again in Abruzzo, in the sector of integrated management of municipal solid waste; the assets covered by the agreement are a disposal plant and a biogas plant. The closing of the agreement is expected before the end of the year.

Acea also signed an agreement for the acquisition of 70% of Serplast and 60% of Meg, companies operating in the plastic recycling business, a segment downstream of post-consumption plastic selection in which Acea is already present with Demap and Cavallari. The Serplast and Meg plants are present respectively in Abruzzo and Veneto. The estimated volumes processed in 2021 are approximately 70,000 tonnes/year.

Acea continues to grow in the circular economy

Acea and the Inter-university Consortium for Materials Science and Technology (INSTM) signed a framework agreement for the development of new materials and the application of innovative technologies aimed at the sustainable management of raw materials and the recycling of products, according to the logics of

the national and European circular economy. The purpose of the project is to make the production processes and the value chains sustainable, on the one hand increasing the efficiency of the materials, on the other investing in re-use and in the use of recycled products for the production of durable goods with high added value. In this way it will be possible to reduce the use of natural resources generating positive repercussions on the environment and the community.

Partnership between Acea and Suez for the digitalisation of water service metering systems

Acea and the Suez Group signed a Term Sheet relating to the creation of a joint venture for the design of an advanced smart metering system for the water service (so-called smart meter), and its subsequent production and marketing in Italy and abroad on the basis of a specific commercial partnership. The market for smart metering systems for water service is currently expanding worldwide and is worth more than € 4 billion annually.

The Project is characterised by digitisation and technological innovation functional to the smart metering of the water service and has a strategic nature for both companies involved, who are among the most significant operators, at international level, in the water sector and environmental protection. Specifically, the Project envisages the creation of a new generation multifunction meter unique on the market, equipped with NBIOT connectivity, which Acea and the Suez Group believe represents a breakthrough in future communication technologies in this sector. To this end, the companies involved are jointly developing a patent, pooling their complementary expertise.

Acea launches a smart grid project to serve the electricity network of the Capital

Acea, through its subsidiary Areti, has launched a "SMART GRID" project, which, as part of the broader development plan of the electricity network of the Capital, will allow for a more innovative and efficient infrastructure.

The implementation phase of the project has been entrusted to two important technological partners, Sirti, innovation hub in the field of network infrastructure development and systems development and integration, and Nokia, global leader in communication solutions and technologies.

Thanks to this project, the remote control of primary and secondary substations will be greatly enhanced, obtaining greater automation of the same, with a consequent improvement in service levels.

The new carrier grade network, with three hierarchical layers - will also ensure high security standards, enabling future 5G evolutions.

Acea: agreement signed with Equitix for the sale of a majority stake in the newco that will manage the photovoltaic assets

Acea has signed an agreement with UK infrastructure fund investor Equitix, through its manager Equitix Investment Management Limited ("Equitix"), to sell a majority stake in the newco to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred.

In particular, Equitix will acquire a 60% stake in the newly established company ("HoldCo") to which will be transferred a portfolio

of photovoltaic plants, currently owned by Acea Sun Capital, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.

Acea will maintain the management of the plants through the signing of multi-year contracts with HoldCo relating to operation & maintenance and asset management activities. Acea Group has also committed to withdraw energy produced by newly built plants on the basis of long-term power purchase agreements (PPAs).

In addition, HoldCo will have the opportunity to evaluate access to a pipeline of photovoltaic plants up to approximately 500 MW, under development by Acea Group.

The economic value of the transaction, referring to 100% of the plant portfolio, in terms of Enterprise Value is € 220 million, which represents an EV/EBITDA 2022 multiple of 10x.

The transaction is part of the 2020/2024 Business Plan presented in October 2020 and aims to accelerate the Acea Group's growth in the renewable energy sector and create a platform focused on the development of photovoltaic plants with a target capacity of 750 MW in the medium term.

The Consortium formed by Ascopiave, Acea, and Iren won the tender for the acquisition from A2A of several concessions in the field of gas distribution

The consortium formed by Ascopiave (58%), Acea (28%) and Iren (14%), after having won the tender for the sale by A2A of concessions in the natural gas distribution service, signed an agreement with the A2A Group for the acquisition of the relative assets.

The scope of activities covered by the transaction includes approximately 157 thousand users, distributed in 8 Italian Regions, belonging to 24 ATEMs, for over 2,800 km of network.

The economic value of the acquisition in terms of Enterprise Value, as of 30 June 2021, is € 126.7 million. The expected average annual EBITDA over the 2022-2024 period is approximately € 12.8 million, while the 2020 RAB of the acquired assets is € 108.9 million (including the centralised RAB of € 6.2 million).

The consideration envisaged for the acquisition will be financed by cash flows from ordinary operations and the existing debt capacity of the Consortium Companies. The transaction is expected to close in the first half of 2022.

Acea's perimeter of interest consists of concessions in 5 ATEMs, including 2 in Abruzzo, 2 in Molise and 1 in Campania, for a total of approximately 30,700 grid points. The Enterprise Value is € 35.8 million.

Acea: Gaia Rating confirms Acea's growth on the sustainability indicators

Gaia Rating gave Acea a score of 82 out of 100 in its overall assessment of ESG performance. Acea recorded a score increase for the fourth consecutive year, confirming its position among the best-performing companies in terms of sustainability.

Acea improves its position in the Bloomberg Gender-Equality Index (GEI) 2022

In 2022, Acea also confirms its presence in the "Bloomberg Gender-Equality Index" (GEI), an international index that measures companies' performance on gender equality through five criteria: female leadership, equal pay, inclusive culture, policies against

sexual harassment, brand positioning as a pro-women company. The Group, included in the index for the third consecutive time, obtained a score of 80.67 (on a scale of 0-100) this year, placing it well above the averages for the utility sector (71.21) and the sample analysed (71.11), with a significant improvement of 10.18 points compared to the 2021 result.

Acea's green transition at the heart of the 10-year plan

Acea has launched a process for the definition of a green transition plan that will chart the path of the company, in line with the long-term goals of the 2030 Agenda, to lay the groundwork for the update of the Business Plan that will have a ten-year time period.

MAIN RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and continuous risk management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

As part of the Enterprise Risk Management Framework, Group companies, also availing themselves of the support and assistance of Acea SpA's Risk & Compliance Department, periodically carry out risk assessment activities in a structured manner, with the aim of identifying and assessing the main risks that may significantly affect the achievement of business objectives. In this way, a representation of the evolution of the Group's overall risk profile is achieved, through the mapping and prioritisation of the main risks to which the Group is exposed and the identification of optimal methods for managing them, by preparing a mitigation strategy and monitoring its implementation. In the monitoring phase, Group companies ensure the management of identified risk scenarios, including through the implementation of specific response actions identified to reduce their potential effects.

During the year, the Group's Key Risk Indicators (KRI) Framework was implemented, which makes it possible to assess changes in the organisation's exposure to "operational" risks through the identification, regular updating and integrated reading of "sentinel" metrics.

This combination is designed to ensure effective control of the entire universe of main risks the Group is exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.

For Risk Mitigation long ago the Acea Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- Third Party Liability;
- Property Damage;
- Employee benefits.

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability — in all its general, professional, environmental and cyber forms — and from events (accidental, culpable or malicious) affecting the Group's physical and production assets. The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guar-

anteeing and paying the employees of the Acea Group significant financial support — both to those directly concerned and to those who may be entitled — in case of serious traumatic events related to both the professional and private spheres.

Still on the subject of *risk mitigation*, most of the companies of the Acea Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.

Note that, on the date of preparation of the current Management Report, we do not expect to be exposed to further risks and uncertainties that may have a significant impact on the results of the Acea Group's operations, equity or financial position, other than those mentioned in this document.

COVID-19 HEALTH EMERGENCY

The international health emergency caused by Covid-19, commonly referred to as "Coronavirus", has evolved rapidly over the past few months. This has led the Italian government to put in place a series of provisions that are both restrictive and of an emergency economic nature, the duration of which it is still impossible to predict at this time, entailing a substantial change in both the internal and external context.

The Acea Group immediately implemented a series of actions to protect all stakeholders, adapting the policies from time to time as the situation evolved.

Key impacts by business sector are shown below.

areti

The health emergency linked to Covid-19, which began in 2020, as well as the subsequent restrictive measures adopted by the government to limit contagion, still in effect, led to an economic impact that heavily affected domestic electricity requirements, with a notable decrease in electricity demand. During 2021, this trend progressively declined and then reversed.

Total electricity fed into the Areti grid (from the national transmission grid, from generation plants connected directly to the Areti grid and from the interconnected E-Distribution grid) increased in 2021 by 1.66% compared to energy fed into the grid in the same period of the previous year.

The maximum power requested by the areti network in 2021 was 1,927 MW, registered at 3:00 pm on 30 July 2021. This amount was around 24 MW (-1.24%) lower than the corresponding figure in 2020, which was 1,951 MW, registered at 3:00 pm on 30 July 2020.

Commercial and Trading

Due to the Covid-19 emergency, access to the Public Hall of Piazzale Ostiense was allowed only by appointment, managed through a telephone reservation service with a dedicated toll-free number. The areas of the Public Hall are managed suitable to ensure appropriate distancing between customers and operators, whether external or internal to the Hall. To that end, the use of desks placed in the Hall has been suspended and the number of active counters has been reduced. Additionally, a body temperature measuring point has been installed at the entrance and all visitors must sanitise their hands and wear a face mask. The reopening of the Ostia branch has been postponed until a later date.

Since the onset of the epidemic, customers have been advised of the possibility of managing their accounts via telephone, chat systems, customer areas in the websites and apps on smartphones. Similar information has been published on the websites www.acea.it (Free Market), www.servizioelettricomera.it (Standard-Offer Market) and on the social networks of the free market (Acea Energia Facebook page), with the tagline “We remain close to you, even from afar” and the hashtag #iorestoacasa (#imstayinghome).

Emails were also sent to customers in the open and standard markets to encourage the use of the customer area on the website.

Additionally, Acea Energia has again begun door-to-door sales and at the Acea Shop sales points, which had been suspended for the entire lockdown period, in compliance with the provisions of the law to prevent the spread of Covid-19.

As an additional measure to strengthen protection, Acea Energia has implemented specific control and prevention processes, which have permitted it to receive Biosafety Trust Certification from the certifying body RINA Services.

Water Segment

Despite the need to stay at home or in any case to limit travel, water consumption has not changed and has remained almost constant due to the combined effect of the reduction in consumption of non-domestic users (industrial, commercial, etc.) and the increase in consumption of domestic users. In large cities there has been a reduction due to the blocking of tourism.

In compliance with the provisions of the regulations pertaining to the Covid-19 health emergency, as well as in compliance with the Resolutions of ARERA, the main preventive and precautionary measures taken by the IWS operators of the Acea Group to ensure continuity and availability of the service in conditions that are safe for the public and operators concerned entail, among other things:

- Raising awareness of the use of alternatives to physical branches — web, apps, toll-free numbers, emails through which it is possible to carry out any type of activity — following closure and/or appointment-based access of physical branches in order to ensure social distancing;
- the suspension — from before the provisions of ARERA — of debt recovery activities, in particular service disconnections, as well as the opportunity for users in financial difficulty to request the deferment of the payment terms of expired or expiring bills;

- the division into instalments of bills due, issued, or with consumption dating to the emergency period.

Additional measures to protect users compatible with current regulatory legislation (Resolutions 580/2019/R/idr and 235/2020/R/idr) are being shared with the Area Governing Bodies of the territories served.

Environment Segment

The companies of the Environment Segment provide essential public services, and therefore are exempted from the suspension of production established by the Italian ministerial decrees issued over time to combat the epidemiological spread of Covid-19.

During the lockdown there was a temporary reduction in the SRF input at the San Vittore waste-to-energy plant resulting from the treatment of unseparated waste produced in the Rome area, given the substantial drop in tourism and commuting. However, Acea Ambiente has implemented measures to compensate for the effect, reserving additional and temporary space for the other contributors. In any case, things have currently returned to normal.

There have also been localised reductions of some special waste delivered to some liquid waste treatment platforms of the segment due to the shutdown of manufacturers.

The other plants operated at substantially the same productivity levels as before the spread of the epidemic.

Specific regional ordinances have also identified the treatment plants of San Vittore del Lazio (UL3) and Orvieto (UL4) as facilities for the destination of unseparated waste produced by the infected or quarantined persons in their respective regions (Lazio and Umbria).

Almost all regions have issued ordinances halting separated collection for infected and quarantined persons, with impacts on the type and quantity of urban waste entering the Segment's facilities. The amounts have not been very large, hence without any significant effects beyond those indicated above.

Safety during the Covid-19 pandemic

Since the beginning of the emergency caused by the spread of the Coronavirus, the Acea Group has implemented prevention and protection measures to manage the risk of Covid-19 contagion.

For the activities carried out by Acea Group Companies, exposure to Coronavirus does not pose a professional risk as employees perform tasks that do not increase their risk compared to the rest of the population.

However, since working activity created the possibility of people coming into contact with others exposed to the virus, a protection strategy was immediately planned aimed at limiting the impact on the organisation based on a risk assessment.

The main measures implemented are as follows:

- dedicated training courses and information materials;
- revision of the Risk Assessment Document and emergency plans;
- reorganisation of working activity;
- large-scale teleworking those who can work remotely;
- integrated management systems for visitor flows;
- screening initiatives for employees;
- flu vaccine campaigns (also extended to family members residing in the same place as employees);

- possibility to receive the Covid-19 vaccine at the Acea HUB;
- adoption of all measures for prevention and protection from infection;
- application of formal procedures for the periodic assessment of the effectiveness of the measures undertaken, through supervision of the actual implementation of anti-contagion measures (monitoring conduct).

Given the importance of protecting the health and safety of its workers, the Acea Group wanted to provide a concrete sign and a contribution that was not just economic to its workers, by activating — as of the start of the explosion of the pandemic in 2020 — special insurance coverage at no cost for employees (including temporary workers, interns and collaborators in general, which guarantees significant economic support in the case employees or their family members are hospitalised).

The policy, in addition to providing an indemnity and assistance services in the case of contagion and hospitalisation due to Covid-19, also includes a series of medical or psychological consulting services which can be activated and used, even in the absence of contagion and/or hospitalisation.

The Acea Group policy was signed by 29 companies and, at present, covers around 16,000 people including workers and their family members.

Teleworking - keeping people connected, close, active

In 2021, the Agreements with the Trade Unions on measures to contain and combat Covid-19 were confirmed and renewed.

In particular, these agreements are focussed on rules for smart working during the emergency period, flexible management of working hours and remote training, as useful tools to allow for work to be performed in safety, while guaranteeing the maximum possible organisational flexibility.

Investors

The Covid-19 pandemic strengthened institutional investor interest in ESG issues, which are increasingly integrated into investment decisions. In particular, an increase has been seen in the financial community's sensitivity to social and environmental issues, with a growth in investor awareness of the interesting risk/return profile that can be offered by sustainable investments.

Shareholders and lenders

In view of the fact that the characteristics of the businesses managed by the Acea Group, approximately 85% of whose EBITDA is generated by regulated activities, and in light of the chronology of events and measures put into place, the regulatory areas governing the Acea Group's businesses did not change significantly due to the aforementioned health emergency.

With regard to the financial impact both in the short and medium term, there are no significant uncertainties for the Acea Group in dealing with the "coronavirus" emergency and the effects that this could reasonably cause, also because of the company's ability to continue to operate as a going concern thanks to the Group's solid financial structure.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the Acea Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector Authority (ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA's regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.

These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the Acea Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and

with the support of the Parent Company's relevant organisational structures.

In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity price trends over the coming months as well as the trend of receivables that however do not represent critical elements at the moment. With reference to raw materials, in addition to monitoring balances on the basis of fixed and variable price sales forecasts, Group companies only use high-standing counterparties that meet the requirements of their own commodity and counterparty risk procedures. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. It should be noted that Acea Group has no direct relations with companies under Russian, Ukrainian or Belarusian law that are in any way affected by the conflict. Given the situation of absolute uncertainty, the Acea Group will reflect in the Business Plan any impacts that are currently undetermined.

NATURAL RISKS

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by Acea Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages.

For many years now, the Acea Group has been demonstrating its solid commitment to tackling and mitigating the risks related to climate change, not only through the reporting included in its Sustainability Report, but also by disseminating its strategies and illustrating the actions taken and the initiatives organised through participation in the Carbon Disclosure Project (CDP), confirming its score of A- and inclusion in the Leadership category.

This important result has further stimulated the Acea Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

In fact, for the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential effects also on finances. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed,

with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO₂ emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the Acea Group to the risk of non-compliance with consumer-protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair commercial practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities such as market allocation, manipulation of tender procedures, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).

Acea adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line with the indications of the Holding Company, and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.

Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and ISO 45001:2018), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.

Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree 231/2001, the Acea Group has started the progressive updating of the companies' respective organisational models, starting with that of Acea SpA. In addition, preparations have begun for updating the Model for the law converting Italian Law Decree no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences pursuant to

Italian Legislative Decree 231/01, and Italian Legislative Decree 75 of 14 July 2020 transposing the “PIF Directive”.

As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231/01 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company's Intranet. It should be noted that some consolidated companies (Areti, Acea Ato2, Acea Elabiori and Acea Ambiente), as more fully illustrated in the related financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/01 concerning safety and/or the environment. There are also complaints for corporate offences relating only to Acea Ato5, related to investigations and proceedings for significant cases pursuant to Italian Legislative Decree 231/01 concerning the environment and corporate crimes. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairpersons of the Company and the representatives of the supervisory body of this company. During 2020, notification was received that the preliminary investigations had been completed, pursuant to art. 415 bis. On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company Acea, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.

Finally, other additional regulatory risks that may potentially be of particular relevance for the Acea Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.

The Acea Group's compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform has been extended to Companies to provide a first layer of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).

Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

Commercial and Trading Segment

With reference to the Commercial and Trading segment, the companies of the segment, in carrying out their sales activities on the electricity and gas free market, are fully exposed to the risk deriving from competition. In particular, there is the risk connected with potential economic and financial damage due to the progressive

concentration of the electricity and gas market, i.e. the reduction in the number of competitors and the increase in their respective market shares, which would penalise the positioning of sales companies on the market (market share too low for the same number of customers), in the event of failure to align with the growth trend of the main competitors.

Furthermore, with reference to commodities, there is the risk connected with potential economic and financial damage due to the impact of changes in the macroeconomic context, including sudden changes such as the Covid-19 pandemic or the so-called energy crunch phenomenon, which would lead, in the first case, to a reduction in the consumption of commodities by business customers and, in the second case, to phenomena of extreme volatility in commodity prices, with negative consequences on trade dynamics.

Regarding the Electricity Service for the standard-offer market, there is risk connected to development of the relevant regulatory framework, which could have a significant impact on the growth of the customer base, due to the disadvantageous position compared with other operators, as the mix of power customers of the Group companies, compared with that of the main competitors, is unbalanced in favour of the Electricity Service for the standard-offer market. This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to customers of the Electricity Service for the standard-offer market; (ii) being conditioned by tariffs regulated by revenues and margins of the Electricity Service for the standard market; (iii) exposure of a significant portion of its customer base to the impacts of policies that were adopted with a view to moving away from the Electricity Service for the standard market.

In the context of Acea Energia's operating activities which, as a commercial company, are the single point of contact for end customers, both for the electricity and gas free market and for the Electricity Service for the standard-offer market, there is risk linked to the possibility of inadequate levels of performance on the part of Distributors, with consequent impacts on the sales company.

In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).

The Segment Companies also have typical business risks deriving from an efficient and effective management of billing and credit collection procedures, where it is affected by the sub-optimal performance of electricity and gas distributors.

Information about commodity price risk and the control tools adopted is provided in the financial risks section.

areti

areti, making use also of the support and assistance of the Acea SpA. Risk & Compliance Unit in managing the process and of the instruments of the Enterprise Risk Management system implemented in the corporate Group, carries out periodically and in a structured way an activity of identifying and assessing the main risks that can have a significant impact on the achievement of the business objectives deriving from the strategic, industrial, financial and sustainability plans.

For some types of “specific” risks, Acea SpA also performs a second-level control function, through specifically-established organisational structures. The company continues to monitor and manage the risk scenarios identified through periodic checks of certain KRIs (Key Risk Indicators), i.e. objective metrics designed to monitor exposure to risk of the most significant scenarios, in order

to strengthen risk response & monitoring activities and make the evolution of ERM risk scenarios, especially Top Risks, objectifiable. In 2021, the programme to update the corporate Risk Assessment was launched and will be completed by next January, using a new ERM methodology structured and formalised by the Parent Company, which will determine the new areti ERM Programme.

We can note the risks associated with the following projects with a great impact on the territory:

- Resilience Plan (investments of the network assets);
- Replacement of first-generation electronic meters with those of the second generation.

The risks refer generically to all the unknowns and to the possible problems that may arise during implementation of projects that are so articulated and extended over time (some provided for beyond the period of the Plan), also in consideration of the commitments made with ARERA; reference is therefore made to the possible critical issues associated with the work done on network infrastructures (authorisations from third-party bodies, procurement of materials, availability of firms, planning of activities, etc.) which assume greater significance for the number and concentration of the same. There is also a risk referring to the consequences that may derive from the shortage of raw materials that is affecting the national and international context; in fact, the shortage of materials risks causing delays in the supply and consequent commissioning of the components of which the network infrastructure is composed, as well as increasing purchase costs with the consequent difficulty/impossibility of respecting the budget and/or the Investment Plan.

Generation Segment

The main operational risks associated with the company's business may relate to property damage (damage to assets, adequacy of suppliers, negligence), personal injury and damage arising from information systems and external events.

Acea Produzione, in order to cope with any operational risks, has taken steps, since the start of its activity, to sign policies with leading insurance institutions for property damage, third party liability, employee accident policy and finally, in view of the health emergency still in progress, to activate a Covid-19 insurance policy.

The Company pays particular attention to the training of its employees, through in-person and on-line training courses, in order to make field operators and all corporate management responsible for working safely, respecting the environment and ecosystems, with ethical appropriateness and with a view to eco-sustainability.

Acea Produzione also develops and defines internal organisational procedures aimed at describing the activities and business processes of production sites/units where it specifies the matrix of responsibility and the context and the applicable legislation of reference; In addition, it draws up its own operating instructions for the field, which show how recurring maintenance work is to be carried out, relating the technical operating specifications to the safety guidelines to be used in operations.

The above is also realised through the implementation of an Integrated Environment and Safety Management System (hereinafter System), adopted by the Company pursuant to ISO 14001:2015 and ISO 45001:2018, certified by an accredited external control body.

The System guidelines, as a preliminary tool for the prevention of accidents, occupational diseases and environmental pollution, and aimed at the promotion and support of energy efficiency, are reflected in the System Policy declared by the Company itself.

Acea Ambiente

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that present the risks typically related to the construction of complex industrial infrastructure (construction and performance defects).

The Orvieto plant, and more recently Aprilia and Monterotondo, have completed major upgrading of their recovery processes for composting purposes, while the Sabaudia and Chiusi plants are undergoing major expansion and upgrading work that is currently being authorised.

With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under CIP 6/92 and the provision of public services, could have significant negative repercussions.

This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.

The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management. Moreover, the plants and the related activities are designed to handle certain types of waste. Any deviation of these materials from the specifications may give rise to specific management difficulties, such as to compromise the operational continuity of the plants and to represent risks of legal fallout.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market Risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume Risk:** the risk linked to changes in the volumes effec-

tively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA's "Guidelines for the Internal Control and Risk Management System" and the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:

- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Forward contracts (for physical transactions for the purchase and sale of commodities) are stipulated to meet the expected requirements deriving from the contracts in the portfolio.

The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to

all derivative financial instruments used for such purpose.

As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks at "event" on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Acea Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Acea Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Information Technology risks

For years now Acea has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or without intent, and in any case inappropriate or not in compliance with current regulations. Acea manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures are being implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

Liquidity risk

The Group policy for managing liquidity risk, for both Acea and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet short/medium-term financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various elements of uncertainty faced by the Group include the potential economic, financial and reputational impacts associated with the closing of or failure to close the aforementioned transactions. The Acea Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.

The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

In 2019 Acea issued the new guidelines of the credit policy to make it consistent with the ongoing organisational changes and the Credit Risk Profiling project, with which different credit man-

agement strategies have been identified. The "Scoring and customer credit limit" procedure for non-regulated markets was also issued.

The Credit Check system, which has been operating in unregulated markets for several years and with which all new mass market and small business customers are checked through customised scorecards, was integrated with the CRM in 2018.

The project activities regarding Credit Risk Profiling, (2021-2023 three-year period), whose scope of operations has been remodelled and expanded, have all been started and partly completed. In this context, in 2021, the models for assessing the risk of requests in acquisition of individuals and legal entities relating to the mass market and small business channels "outside of Rome" were updated. The updated scorecards were released into production in early 2022. The models and tools for managing Large Business customers were also optimised during 2021. The information platforms supporting sales and the tool for monitoring KPI requests in acquisition managed by the advanced monitoring dashboard, which was released into production in June 2020, are still active.

The assessment of Large Business customers continues to be managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply.

The dynamic management of recovery strategies is carried out in the billing system for active customers and through a dedicated management system for those discontinued. In 2021, the fine-tuning and optimisation of the credit management process continued in terms of both the application map and the standardisation of activities for all Group companies, with the definition of a new Collection Strategy, fully integrated into the systems, which directs dunning activities according to both the type of customer (public and private) and the behaviour of individual customers (score).

Back testing of the performance scorecards of individuals and legal entities for both the free market and the greater protection market is planned for 2022, so as to further adjust, where appropriate, the dunning strategies in accordance with the relevant findings.

The structures of the individual companies responsible for credit management are coordinated by Acea SpA's Corporate Credit unit, which guarantees end-to-end control of the entire process.

The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due.

As a result of these interventions, in recent years the Group significantly improved its collections capacity both in terms of electricity sales and the water supply business.

This improvement, together with the return to full operation of dunning and posting activities after the 2020 suspensions during the acute phase of the pandemic, resulted in a significant reduction in unpaid levels on current turnover and high collection performance.

As in previous years, this year the Group has set up non-recourse, revolving and spot transactions, of receivables from pri-

vate customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the financial statements since all the risks and benefits associated with them have been transferred.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

Acea's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	14/01/2021
Moody's	Baa2	Na	Stable	12/11/2020

BUSINESS OUTLOOK

The results achieved by Acea Group as of 31 December 2021 are in line with forecasts.

Acea confirms its strategy aimed at making major investments in infrastructure, with a positive impact on the Group's operating and economic performance, while maintaining a solid financial structure. The Company has launched a process for the definition of a green transition plan that will chart the path of the Group, in line with the long-term goals of the 2030 Agenda, to lay the groundwork for the update of the Business Plan that will have a ten-year time period. In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity

price trends over the coming months. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. The Group's financial structure is solid for the years to come. At 31 December 2021, 85.7% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 31 December 2021 the average duration of medium/long-term debt stood at 5 years. We can note the reduction of the average cost, which went from 1.74% at 31 December 2020 to 1.42% at 31 December 2021.

For the year 2022 Acea expects:

- an increase in EBITDA between 2% and 4% compared to 2021;
- investments substantially in line with 2021;
- a net financial debt between € 4.2 and € 4.3 billion.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

in inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2021, equal to € 177,039,964.93, as follows:

- € 8,851,998.25, equal to 5% of profit, to the legal reserve,
- to distribute a total dividend of € 180,665,720.95 to shareholders, corresponding to a unit dividend of € 0.85 per share, equal to the entire distributable profit for the financial year ended 31 December 2021 of € 168,187,966.69 and retained earnings of € 12,477,754.26.

The total dividend (coupon no. 23) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 22 June 2022 with coupon detachment on 20 June 2022 and record date 21 June 2022.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA
The Board of Directors