



Acea Group Analysis of Internal and External Context (Summary)

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In collaboration with the departments and companies involved*

Approved by the Chief Executive Officer

The management system documents include the full text of the internal and external context with the analysis of impacts for the Acea Group and the relative actions put in place for each of the relevant stakeholders identified.

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INTRODUCTION

The Acea Group pursues prudent and sustainable operational and economic-financial management, in line with the principles of corporate social responsibility and the values expressed in its Code of Ethics, contributing to the achievement of the UN's 2030 objectives. The Group promotes growth, well-being and improvement of the quality of life in the communities in which it operates, contributing to their economic and social development including through the active and responsible participation of its stakeholders.

This is why it monitors the reference scenario, identifying and analysing the factors that could take on a significant role in terms of the Group's business, such as competitiveness, sustainability and regulatory areas that can affect the achievement of strategic goals.

The Group recognises the importance of its stakeholders not only as parties that play a key role in allowing it to achieve its objectives but also, and above all, as the main recipients, direct or indirect, of the value created by the assets it manages.

Maintaining a constant and solid relationship with all its stakeholders is of strategic importance. Indeed, a relationship based on on-going dialogue, trust, listening and active involvement demonstrates the responsible role that Acea has been taking towards the ever-changing reference context, the territories in which it operates and its own people, for over a hundred years.

A responsible and long-lasting relationship with stakeholders makes it possible for us to improve our decision-making processes by better directing corporate commitment to the most relevant issues, while building a shared path that creates value and well-being over time for the community and the market.

In addition to these external factors, there is also the internal context of the Group, to be considered above all in organisational terms and in relation to the energy and environmental impacts, the development and inclusion of human capital, the protection of worker health and safety, the protection of company assets, and the sustainable and responsible management of the supply chain.

By understanding specific needs and priorities, the Group pursues a transparent and proactive approach to the multiple internal and external stakeholders with whom it has relationships, building mutual opportunities for growth and enrichment.

THE ACEA GROUP

The Acea Group works to improve the lives of citizens by offering high-quality services in the water, energy distribution, production and sale, public lighting and waste treatment sectors.

The main goal is to provide primary services, with ever increasing quality, thanks to efficient management of infrastructure and sizeable investments in technological innovation.

It invests in the circular economy, in the sustainable development of the territory in which it works and in building a fully inclusive work place, contributing to Italy's ecological transition in line with the long-term goals of Agenda 2030.

The Group's industrial roots are also linked to sustainability, a necessary value and a main feature in the structure that guides its business decisions and operational management.

Acea views promoting a culture of quality, respect for the environment and preservation of ecosystems as a strategic choice, to achieve sustainability in its business activities through the development of people and safety in the workplace, the efficient management of resources, assessment of risks and impacts and constant dialogue with stakeholders, as defined in its *Management and Sustainability Systems Policy*.^[1]

ENERGY

The Group is vertically integrated into the electricity supply chain through independent companies that meet the requirement to guarantee neutrality in the management of infrastructure essential for the development of a free energy market, to impede discrimination in access to commercially sensitive information and avoid cross-subsidization between the various segments of the chain.

^[1] The document is available on the company website www.gruppo.acea.it.

Commercial and Trading

One of the leading Italian players in the sale of electricity, the Group offers innovative and flexible solutions for the sale of electricity and natural gas with the objective of consolidating its positioning as a *dual fuel* operator. It operates on the market segments of *Mass Market* and *Business*, offering tailored solutions with the objective of improving the quality of the services offered with particular regard to digital channels.

Distribution

With 9,355 GWh of energy distributed in the area of Rome during 2022, up with respect to the previous year, which was hit harder by the pandemic (+2%), the Group is also a leading national operator in distribution.

Acea also manages public and artistic lighting in the capital city, with 231,437 lights, of which over 92% using LED technology: for years it has been lighting the precious cultural monuments of Rome.

Production and energy services

Electricity is also produced through 2 thermoelectric plants located within the Municipality of Rome for 174 GWh of power produced, as well as 7 hydroelectric plants located in Lazio, Umbria and Abruzzo for 330 GWh of electricity produced.

The Group is also present in photovoltaics and cogeneration with 92 GWh and 32 GWh of electricity produced and aims to strengthen energy production using green sources to support decarbonisation and the energy transition.

The Group also works in the energy efficiency sector, offering and proposing sustainable energy solutions to achieve savings and energy efficiency, in the industrial, services and residential segments.

WATER

The Group is the top Italian operator in the water sector serving 9 million people: it manages the integrated water service in Rome and Frosinone and in the relative provinces, as well as in other areas of Lazio, Tuscany, Umbria, Molise and Campania.

Starting from a careful analysis of springs and groundwater and the potential impacts of operational processes on them – for example, by defining and monitoring water districts and preparing water balances – Acea checks and guarantees the quality of water during collection and distribution in compliance with the regulatory standards envisaged for end uses. The same care is devoted to wastewater and advanced treatment phases to recover useful material and return the resource to the environment in the best possible conditions for its natural cycle to resume.

ENVIRONMENT

The Group is one of the leading domestic players in the environmental sector with over two million tonnes of waste processed each year: it has been investing in the circular economy for years.

The activities carried out within the environmental segment take advantage of waste using various industrial treatment processes:

- waste to energy is used to produce electricity;
- the processing and recovery of solid wastes such as sewage sludge, the organic portion of solid urban waste deriving from recycling, mowing and treatment, as well as other compostable waste give rise to biogas products (to be used in electricity production) and compost (for use as fertilizer);
- the disposal in landfills or chemical/physical treatment of the residual portion of waste that cannot otherwise be made use of guarantees the environmentally sustainable management of the same and the production of biogas;
- recovery of solid waste gives rise to secondary raw materials (end of waste).

Its environmental business activities extend to the Regions of Lazio, Tuscany, Umbria, Marche, Veneto, Piedmont, Abruzzo and Val d'Aosta.

ENGINEERING AND SERVICES

The Group has developed know-how at the forefront in the design, construction and management of integrated water systems, including catchment work, aqueducts, distribution, the sewer network and purification, as well as in industrial systems. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. It makes use of specific methods and digital tools, including BIM modelling.

Laboratory and engineering consultancy services are also of particular importance.

Through the companies (Acea Elabiori, Technologies for Water Solution (TWS), Simam and Ingegnerie Toscane), the Industrial Segment proposes an array of offerings that provide innovation and specific skills, adopting an end2end process that covers the entire value chain: it provides Design & Planning, EPC, Operation & Lab, Innovation and specific specialised scientific technical support.

BUSINESS AND FOREIGN DEVELOPMENT

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

It is present in Honduras, the Dominican Republic, Colombia and Peru with 4 companies, serving approximately 10 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

THE INTERNATIONAL AND DOMESTIC SCENARIO

SUSTAINABLE DEVELOPMENT

2022 was marked by the dramatic event of the conflict in Ukraine, which began in February. The conflict, which is ongoing as per the date of this report, in addition to having devastating impacts on communities in the Ukrainian territories, also negatively affected the rest of Europe, at a time when the COVID-19 pandemic crisis was still under way.

The war has once again demonstrated the deep and pervasive interconnectedness that exists within the current global context, which is able to spread its effects across the entire world.

Immediate effects were seen in global value chains, amid sanctions, trade blockages, and drastic changes in energy supply flows.

It is precisely in the energy arena that drastic consequences have arisen: one need only think of the reopening of polluting energy sources to urgently make up for the choices to forgo Russian gas, which have exposed the pathological dependence on that supply.

The European Union has responded to this situation with the *REPower EU* Plan, with the aim of not only reducing dependence on fossil fuels coming from Russia, but also of accelerating the green transition through new commitments to energy efficiency, by developing partnerships with other gas suppliers – while developing cooperation on hydrogen and green technologies – and increasing targets on renewable energy.

The situation caused by the events described above obviously had a major impact on energy costs for businesses and families, with public institutions preparing protective responses.

In terms of climate, data from the EU Copernicus observatory saw extreme climate events, record temperatures and rising greenhouse gases globally in 2022.

Europe experienced its second hottest year and hottest summer ever: high temperatures combined with a lack of rain and dry soil caused drought conditions, especially in the southern and central parts of the European continent.

Many countries reported repercussions for agriculture, river transport and energy management. Extreme drought conditions also led to an increased risk of fires, which led to an unusually high number of episodes in southwest Europe.

The global and national institutional initiatives that marked the year should be viewed and evaluated in this context. While COP27 on the climate, held in Egypt, achieved the establishment of the Loss and Damage fund to help developing countries affected by climate change, it did not lead to significant progress on the issue of fossil fuels and emission reductions.

However, greater results were achieved with the agreement reached at COP15 on biodiversity, including targets for the extension of protected areas and regenerating damaged ecosystems (30% by 2030).

In regard to environmental and climate issues, we should note two important Italian initiatives: the constitutional reform of Articles 9 and 41 and the *National Climate Change Adaptation Plan*.

The protection of the environment, biodiversity and ecosystems, also in the interest of future generations, enters the constitutional framework with the first initiative, with this objective also involving the ways in which to conduct business.

With the second tool, which was published at the end of the year, the Ministry for the Environment and Energy Security launched the public consultation process for the adaptation actions to be put in place, providing a national guiding framework to reduce risks and improve the adaptive capacity of natural, economic and social systems to climate change.

2022 was symbolic due to certain significant sustainability measures taken at the European level, which are of specific relevance to business.

The Corporate Sustainability Reporting Directive, was published in the EU Official Journal, an update of the Non-Financial Reporting Directive of 2014, which substantially expands the range of companies subject to sustainability reporting requirements and introducing significant changes, for example double materiality, the preparation of new standards and the inclusion of a disclosure in the Report on Operations.

Institutional work on the Directive continued relative to corporate due diligence requirements on environmental protection and human rights within the value chain: in February, with the proposal of the EU Commission and, in December, with the adoption by the EU Council of the general guidelines on the subject.

On the issue of the European Taxonomy for environmentally friendly activities, 2022 was marked by two significant changes: on the one hand, the inclusion, under specific conditions, of gas and nuclear among environmentally sustainable activities, and on the other hand, the first activity for reporting by companies on the level of alignment of the activities listed in the Taxonomy according to technical screening criteria.

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.

Globally and domestically there was still no improvement in 2022 relative to overshoot days, the day on which the earth exhausts the renewable resources available for the year in progress: globally in 2022 it came on July 28, one day earlier than in 2021, and in Italy it was 15 May 2022, two days later than the previous year.

COP27 was held in Sharm el-Sheikh from 6 to 18 November 2022. The negotiations focused on five key topics: decarbonisation, climate adaptation, nature, food, and water. It ended with the issuing of a final decision, the Sharm el-Sheikh Implementation Plan. The plan maintains the agreements ratified in the Glasgow Climate Pact (COP26), under which the signatory countries undertake to maintain the global temperature increase to below 1.5°C compared to pre-industrial levels.

The Agreement highlights the need to transition to an economy based on renewable sources and to reduce the use of fossil fuels.

Efforts to gradually eliminate coal were encouraged, favouring low-emission sources and promoting the elimination of fossil fuel subsidies. As regards the Nationally Determined Contributions - NDC, countries that had not yet presented their decarbonisation commitments were encouraged to do so, while those that already have were asked to update them by the end of 2023. The main change involves the introduction of the loss and damage principle, which calls for the payment of indemnities to the most vulnerable developing countries for climate damage suffered. This principle will be implemented through the establishment of a specific Fund.

In line with established goals, on 2 February 2022 the European Commission prepared a complementary delegated act on the EU climate taxonomy. In fact, to achieve climate neutrality by 2050, massive private investment will be required. The EU taxonomy is intended to guide private investment towards the activities needed. Classification under the taxonomy will not determine whether a given technology is included in the energy mix of member states, but is intended to present all possible solutions to accelerate the transition and to help climate goals be achieved.

In parallel to the work carried out by the European Commission, the work of the Taskforce on Climate-related Financial Disclosures (TCFD) continued, with the objective of updating a series of recommendations to be followed by companies for reporting risks and opportunities related to climate change and describing the 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 and report, in order to assess the future impacts that the climate-related risks/opportunities generate on the company's business.

Governing this phase in a resilient manner and containing the risks of aggravating inequalities among people and a lack of sustainability in development models is essential to finding solutions that truly allow the transformational change that can put us on a development path that is balanced, lasting and widespread.

The focus of national and international institutions has been to put in place initiatives to protect people, both in terms of health protection and prevention and support for income capacity, designed precisely to build an overall sustainable system.

These include European programming and financing instruments being defined that, contrary to what some observers feared, have asserted a preference for investments capable of ensuring a transition that is ecological, socially and territorially inclusive, digital and innovative.

In this context, Acea is continuing to carefully monitor its sustainability plan, and given the strategic nature of the issue it has begun reflecting on how to define the opportunities deriving from the current scenario and its contribution to the creation of shared value.

Specifically, with reference to the issue of greenhouse gas emissions, again in 2022 Acea participated in the *Carbon Disclosure Project* – CDP, receiving a B grade and positioning the Company in the *Management* class.

After concluding a project to align with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2021, by which the development of climate scenario analysis and climate disclosure reporting was addressed, according to the approach developed by the TCFD, Acea published the results of the TCFD Project in an independent Climate Report in June 2022.

Additionally, in 2021 Acea was part of a working group together with A2A, Edison, Enel, the Hera Group, the Sofidel Group, Maire Tecnimont, Pirelli, Salvatore Ferragamo, Snam, Terna and VIU to develop a position paper “Italian business moving towards decarbonisation: a fair and inclusive transition”.

The paper was officially published on 19 January 2022 at the Italian Pavilion at the Dubai Expo and set itself “the goal of demonstrating and developing the commitment of Italian companies that have signed the UN Global Compact on Decarbonisation, to play their role in achieving the objectives of the Paris Accords and the goals the European Union has set itself, to achieve climate neutrality by 2050”^[1].

CORRUPTION PREVENTION

In 2022, Italy was classified in 41st place in Transparency International’s Corruption Perception Index (CPI), with 56 points. The index measures the perception of corruption in the public sector and in politics for many countries throughout the world, through a score ranging from 0 (high level of perceived corruption), to 100 (low level of perceived corruption). The methodology is revised every year to obtain an increasingly reliable picture of local situations.

Our country improved its score by 4 points compared to the 2021 index, moving up one place in the classification of the 180 countries measured by the index.

Doubtless the attention paid in recent years to preventing corruption at all levels, with the contribution of the National Anti-Corruption Authority (ANAC), has certainly contributed to the improvement in Italy’s CPI ranking.

The current economic recovery in Italy, combined with the implementation of the National Recovery and Resilience Plan (NRRP), will require the utmost care in preventing corruption risks.

The Acea Group (and specifically, executives and management who work daily to serve as virtuous examples for Group personnel, with a Lead by Example/Tone from the Top approach):

- is committed to preventing and fighting illicit behaviour by all people who, for whatever reason, act in the name of and on behalf of the Group and to its benefit;
- rejects corruption in all its forms and prohibits all actions that could facilitate or promote corruption;
- is committed to constantly implementing sustainable business that combines results and performance with compliance with rules and values, to make the Group ethically virtuous based on the supposition that “illicit” profit is not acceptable (*#0CorruptionTolerance*).

Taking into consideration its size and operations, over time the Acea Group has developed and implemented various compliance measures designed to prevent the risks of illicit behaviour in the performance of its activities, within the Group’s Regulatory System.

In particular, to manage the risk of corruptive behaviour (understood as active and passive corruption, “committed by or perpetrated towards” the Public Administration or private entities and individuals):

- the nature and scope of the risks of corruption in relation to the counterparties (due diligence of third parties) was assessed;

^[1] <https://www.globalcompactnetwork.org/it/pubblicazioni-e-stampa-ita/pubblicazioni-gcni.html>.

- a specific platform for collecting whistleblowing reports was implemented, on the Group website for external stakeholders and on the corporate intranet for internal stakeholders^[1] (in line with the European Directive on Whistleblowing (EU) 2019/1937 with mandatory transposition from 17 December 2021);
- the Ethics Officer was established, a collective Group Body that manages the system for reporting alleged violations of the Code of Ethics, internal regulations and the law, and that monitors compliance with the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders.

The path taken by Acea to develop a Corruption Prevention Management System compliant with ISO 37001:2016 and the approval of an Anti-Corruption Policy are part of this^[2].

GENDER EQUALITY

Goal 5 of Agenda 2030 states: “Achieve Gender Equality and Empower All Women and Girls”.

No country in the world has as yet overcome gender gaps. The most advanced countries on gender equality (such as Iceland, Finland, Norway and Sweden) have only overcome slightly more than 80% of the gap.

According to the World Economic Forum’s (WEF, 2022) latest report on gender equality the global gender gap was 68.1% in 2022.

The 2022 results compared with those of the previous year show an improvement in the overall gender equality score (+0.2%), although it will take another 132 years to close the gender gap globally.

Considering gender equality across four dimensions – economy, education, health and politics – Italy ranks 63rd, and – if we narrow the focus to just the economic component that includes: the labour participation rate, the gender pay gap, estimated labour income and the presence of women among legislators, senior managers, civil servants and high-skilled professions – it ranks just 110th.

Economic participation emerges as the most critical dimension for our country. The best known and most distinguishing feature for Italy is the low female employment rate.

As the crises worsen, women’s labour force performance is suffering and the risk of regression in overall gender equality further increases.

It is within this context that we find all the initiatives put in place by the Acea Group to promote gender equality, which are attested to by the various certificates obtained in 2022.

The confirmation of Acea’s presence in the Bloomberg Gender-Equality Index (GEI), an international index that measures companies’ performance on gender equality, attests to the Group’s commitment to the issues of equity, inclusion and women’s empowerment within corporate growth paths, as well as to the adoption of tangible measures to reduce the gender gap with respect to wage equality, parenting protection and work-life balance.

In December 2022, Acea, first among Italian multi-utilities listed on the stock exchange, received UNI PdR 125:2022 certification, the only Italian standard on gender equality that also indicates guidelines to support the professional growth of women within companies.

The Acea Group was also included by the Financial Times and Statista in the special ranking of Europe’s Diversity Leaders 2023, which selects 850 companies that demonstrate considerable leadership in terms of diversity and inclusion.

Once again in December, for the second consecutive year, the company obtained the Top Employers Italia Certification, the official recognition of corporate excellence in HR policies and strategies and implementation of the same, with the aim of improving the working environment.

In line with the value of gender equality, Acea participated at SMAU Milan 2022 with a dedicated physical stand: the project that won the SMAU Innovation Award in 2022 was the “Women, welfare and worklife balance – start-ups for a better life” call, which was directed to start-ups with a high percentage of female members (at least 60%), which had developed products and/or services that could potentially be integrated with and in line with Acea’s Welfare plan.

CORPORATE ASSET PROTECTION

^[1] To facilitate the reception of reports, the Acea Group makes various channels available.

Among the various channels, Acea has adopted a digital platform to manage reports (Web platform: “Report Whistleblowing”), a simple channel, structured to encourage the reporting of possible illegal actions through a direct, accessible and private communication method, that also allows for anonymous reports to be made with a simple internet connection using any type of device, as well as a confidential method for asking questions or making requests for clarification.

^[2] The document is available on the company website www.gruppo.acea.it.

Physical Security

Corporate asset protection is implemented through activities aimed at protecting material assets attributable to corporate assets and the control of physical access to the offices, facilities and premises of Group Companies. The coordination and implementation of plans for the continuity of operations in the event of contingent circumstances that may compromise the provision of primary services is also important.

The Acea Group manages measures intended to guarantee adequate security levels at “Significant Locations” (e.g. aqueducts, energy to waste plants, CEDET, primary stations, water treatment plants, etc.) and at company offices. Through the Security Operating Room (SOS), it monitors the proper functioning of video surveillance and anti-intrusion systems, as well as reception and security services.

IT Security

In the wake of growing threats to IT security and a profound overhaul of EU and domestic legislation on cyber security, with particular reference to the critical infrastructure and essential services sector, Acea continues to make significant investments in the area of capacity building in cyber security at the Group level.

The main response actions concern processes, technologies and organisation across the board, also by way of anticipating regulatory requirements and the evolution of global security scenarios, thanks to the consolidation of public-private partnerships with the main national institutional entities.

The main areas of action, which have been defined as objectives of our corporate cyber security strategy, were the strengthening of our security incident management capabilities, the development of the cyber risk management area, the consolidation of the security engineering area, the establishment of the threat intelligence area and the confirmation of security awareness.

The scope of intervention involved all areas of the corporate digital continuum, IT, OT and IoT, for a holistic and unified vision of cyber security, in line with the requirements of current regulations and industry best practices.

SAFETY AND HEALTH IN THE WORKPLACE

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its people. It has implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain.

Safety seen as strategy, and not only as compliance, is based on the possibility of measuring and monitoring the results in a managerial approach. In the context of the process of continuous improvement that it has undertaken, oriented to the prevention and reduction of injuries, Acea intends to make available to all its people a valid and effective instrument for the purposes of active participation in analysing the trend of indicators; this aspect is often considered a measure of the level of maturity of the culture of safety and the culture of improvement in an organisation. Improvement actions based on the realisation that there are margins to pursue (for example actions to reduce the proportion of some types of injury) and consolidation actions (for example maintaining positive results, growing organisational resilience), represent the natural process of continual improvement in the field of workplace health and safety.

POST-PANDEMIC INFECTION PREVENTION

With regard to the COVID-19 risk which arose in the form of the pandemic that began in 2020, the Acea Group – which has always been attentive to the health and safety of its employees and all external workers along the entire value chain – has implemented prevention and protection measures to manage the COVID-19 emergency.

For the activities carried out by Group companies, exposure to the Coronavirus has never posed a professional risk as individuals perform tasks that do not increase their risk compared to the rest of the population. However, since work creates the possibility of people coming into contact with others exposed to the virus, a protection strategy became necessary and appropriate, aimed at limiting the impact on the organisation based on a risk assessment.

Vaccine Hub

The Acea vaccine hub, established in Piazzale dei Partigiani within the company’s office was accompanied, from the moment the vaccine hub was opened in June 2021, by a COVID-19 vaccine awareness campaign carried out in cooperation with relevant institutions and entities.

In early 2022, due to the sudden outbreak of the war between Russia and Ukraine, the Acea Vaccine Hub continued its COVID-19 vaccinations while – in collaboration with the RMI Local Health Unit – receiving Ukrainian refugees who had just arrived in Italy to obtain their STP code (a code for foreigners living in Italy temporarily) that allows them access

to health services, screening and COVID-19 vaccinations, as well as paediatric and gynaecological examinations. Offering its contribution to speed up the COVID-19 vaccination plan coordinated by the Italian Ministry of Health, Acea provided support to institutions, starting with the Lazio Region, by aiding the national vaccination campaign.

In agreement with the General Management of the RMI Local Health Unit, as of 1 January 2023 the Acea vaccine hub closed permanently. A total of more than 171,000 vaccine doses were administered.

Post-pandemic infection prevention

Following the end of the National Emergency and the update of the 30 June 2022 Protocol shared between the government and social partners on workplaces, as a precautionary measure the Acea Group strengthened its anti-infection measures by maintaining the requirement for respiratory protection and then realigned itself with the Protocol stipulations in October.

With the end of the COVID-19 pandemic, which led to new business needs and a new organisation of work within the Group, it was decided to keep in place certain business protection solutions that were considered effective even in non-emergency situations, such as:

- thermoscanners to measure body temperature;
- integrated management systems for visitor flows;
- app solutions on mobile devices for (Back to Office).

RELEVANT STAKEHOLDERS

SHAREHOLDERS AND INVESTORS

In 2022, global equity markets saw a negative trend, in particular affected by the increase in energy and raw material prices, in part due to the war in Ukraine, which led to increased inflation and a weakening in the growth of global GDP.

European countries felt the impact of the tensions associated with the counter-sanctions adopted by Russia in response to the sanctions imposed by Europe after the invasion of Ukraine and the change in energy supply policies.

In this complex context, the NRRP (National Recovery and Resilience Plan) was confirmed as one of the key growth factors for Italy's economy in 2022. The European Commission disbursed the first tranche of loans under the NRRP in response to Italy's progress in implementing reforms and planned investments, including those to promote the energy transition and the circular economy.

In this context, Acea presents significant investment opportunities in the development and security of water and electricity networks, renewable energy production and the circular economy.

EVALUATION AND CONTROL BODIES

The evaluation and control bodies offer important support for the governing and corporate reporting processes.

Fitch Ratings and Moody's have respectively given a Long Term Issuer Default Rating and Long Term Issuer Rating to Acea Spa of BBB+ and Baa2, with a stable outlook for Fitch Ratings and a negative outlook for Moody's.

Acea's rating reflects the strategic attention it pays to regulatory and diversified business (around 80% of consolidated EBITDA), its stable and predictable operating performance, thanks to the long duration of its concessions, and its healthy liquidity and availability of funding sources.

Statutory auditing of the accounts is assigned to PricewaterhouseCoopers, a specialised company registered with the relevant register, appointed by the Shareholders' Meeting on 27 April 2017 upon a grounded proposal from the Board of Statutory Auditors. The statutory auditing position was granted for nine financial years (2017-2025).

GOVERNANCE BODIES

Acea Spa's corporate governance structure – structured according to the traditional Italian model, which, without prejudice to the duties of the Shareholders' Meeting, attributes strategic management to the Board of Directors, the cornerstone of the organisational system, and supervisory functions to the Board of Statutory Auditors – has been defined in compliance with current regulations, as well as with the recommendations contained in the Corporate Governance Code approved by the Italian Corporate Governance Committee, which is made up of ABI, Ania, Assogestioni, Assonime, Confindustria and Borsa Italiana Spa.

Acea applies the prescriptions of the Code, which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies.

In particular, the Board of Directors of Acea Spa approved the governance model (Management and Coordination Regulations) and the Policy for Managing Dialogue with Institutional Investors, Shareholders and Bondholders of Acea Spa.

GROUP COMPANIES

The Acea SpA Board of Directors establishes the strategic guidelines for the Group, taking on governance responsibilities also through the management and coordination of the Group.

With a resolution on 21 June 2021, the Board of Directors adopted the Group Management and Coordination Rules, prepared to define the governance relationships between Acea Spa and its subsidiaries^[3] and associated companies^[4], while respecting the management and decision-making autonomy of the same.

The aforementioned Regulation has also been disseminated to the Subsidiaries, in order to encourage behaviour and information flows that are in keeping with it.

Acea Spa, providing management and coordination to the Group's Companies, issues and disseminates Guidelines and relative implementation models, which the Subsidiaries must comply with, while also guaranteeing full corporate autonomy in the institution and maintenance of the relative Internal Control and Risk Management System (SCIGR), a fundamental aspect of the governance system.

INSTITUTIONS

The regulatory context of Acea is wide-ranging and articulated according to the specificity of the businesses handled – water, energy and environment – and the variety of the frameworks within which the legal and regulatory disciplines intervene, which affect the business operations, from administrative authorization profiles to those protecting the market and competition.

Added to such aspects are the specific features of being a 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.

In its dialogue and management of relations with local and national institutions, EU bodies, associations, public and private entities, and the regulatory authority (ARERA), the Acea Group takes advantage of opportunities and mitigates possible risks that derive from legislative and regulatory trends of interest to the Group, by monitoring the evolution of the legislative, political, institutional and regulatory context and assessing the measures of greatest interest.

CUSTOMERS

As regards customers on the free market, Acea Energia is consolidating its position on sustainability and environmental protection. In fact, its commercial offer of 100% ECO electricity and gas continues.

In the context of the electricity distribution and public lighting segment, technological innovation for the network is organised around two strategic guidelines which on one hand are intended to improve support for in field operations (improving controllability by developing solutions to support network operating processes) and on the other to improve the collection of data in the field (improving observability by developing solutions to support asset management processes).

Management of the Integrated Water Service (IWS) follows the entire cycle for potable and waste water: from capturing the natural resource at the source through to its return to the environment. It is governed by a Management Agreement stipulated by the company which is responsible for the service, the Authority and the area governing body.

In the context of its commercial relationship with customers, in the water sector Acea continues to implement significant customer oriented technological innovations, able to optimise and speed up processes, such as contracts, invoices, payments and manager/client communication.

In particular, in Acea Ato2 – the company that manages the integrated water service in Lazio's Ato2 – an important pathway of modernisation and digitisation of the customer experience was charted in the use of the services dedicated

^[3] Subsidiaries are defined as all companies directly or indirectly controlled by Acea and subject to management and coordination activities pursuant to Articles 2497 et seq. of the Italian Civil Code.

^[4] Associated companies are defined as all companies in which Acea or its Subsidiaries hold an interest of a size that does not guarantee control, but with the attribution of the right to appoint one or more members of the Board of Directors.

to them. This process, which involves the full end-to-end digitalisation of company processes saw the kick off of numerous projects.

Clients of the Environment Segment are highly diversified based on the business supported by the individual companies and the authorisation regime for the individual production plants.

To guarantee the utmost support for requests coming from local areas that Associations represent through their extended networks, Acea Group Companies have maintained a high level of attention by guaranteeing the constant availability of contact channels to support the resolution of any problems.

Customer listening surveys are regularly carried out with the aim of being able to better respond to customer needs through the continuous improvement of the service offered.

The quality of the service offered is also systematically monitored through mystery visits and mystery calls, which are carried out by a leading contracted research institute. The objective is to identify areas for improvement.

The surveys conducted show more than positive results, particularly in the area of competence/problem solving and operator politeness.

WORKERS

People represent a fundamental asset for maintaining competitiveness in an economic and social context that is rapidly changing while still ensuring clients and citizens receive essential services for daily life with high quality standards.

The Group was able to move, change and transform, listening to the new requirements of its people and developing a People Strategy, with projects and initiatives that by making use of the main assets of the Business Plan, meet the needs for technological innovation, culture, data analysis and monitoring, full utilisation of skills and development of well-being.

To measure the efficacy of its People Strategy, Acea has also participated in surveys and certification of its HR practices, including Top Employers, Bloomberg and Gender Equality UNI PdR I 25:2022.

For two years Acea has been preparing an Equality & Care Plan that identifies goals and associated projects for equality, diversity & inclusion and corporate welfare.

The Plan works on two areas (internal, dedicated to employees, and external, dedicated to customers and institutions), and proposes a focus on 3 macro-areas (strategy & performance, culture, and external stakeholders) by defining three macro-objectives:

- keep the strategy in the area aligned with people's real needs through actions aimed at defining clear and evidence-based directions and strategies that can be over time.
- continue to support the spread of the culture of inclusion and well-being in equality, diversity & inclusion and its implementation.
- keep brand reputation aligned with internal strategies.

Acea has developed an integrated corporate welfare system, based on listening to people and their needs and structure around six fundamental pillars: health, psycho/physical well-being, family, reconciliation measures, economic assistance and complementary social security.

All these areas are shared with a Bilateral Committee, consisting of representatives from Group companies and the Unions.

The Labour-Management Relations Model applied in Acea defines a system of high-profile trade union relations based on bilateral agreements and participation, combining business objectives and social demands.

During 2022, the National Collective Bargaining Agreement for workers in the electricity sector and the National Collective Bargaining Agreement for the water gas sector, applied in the Acea Group, both of which expired on 31 December 2021, were renewed.

SUPPLY CHAIN

Acea has always been at the service of the community and the public and therefore puts a high priority on open exchanges with the supply chain to be increasingly efficient in responding to local demands.

The creation of a sustainable chain depends on each company monitoring itself, as well as on agreements between all members in a given chain. Cooperation allows for more transparent and clear relationships, helping to create shared value:

- EcoVadis assessment
- Green purchases

- Reputational due diligence
- Management Systems – Supply Chain Verifications
- Vendor ratings
- Sustainability and safety

COMPETITORS AND PEERS

With regard to energy sales, once the standard market service is no longer applicable, competition among operators will increasingly be characterized by the search for distinctive added-value elements, which are achievable through investments in technological innovation and digitalisation to the benefit of the customer, combined with a business offer geared toward innovative, customer-tailored solutions. The methods that will be adopted to bring about the definitive abolition of the standard market service are currently being defined.

Acea intends to assess and participate in the new tenders issued for the concession of the Integrated Water Service and gas distribution service issued by various contracting authorities (Regions, Municipalities, Area Authorities) throughout the country.

It can easily compete with other companies/groups in the sector as it possesses the necessary economic, financial and organisational requirements and has experience and the required certifications.

Acea Ambiente is currently expanding through the acquisition of existing local plants, allowing the company to enlarge its area of reference to include the Abruzzo and Veneto regions and consolidate and extend its business and waste selection and recycling processes, as well as strengthening and improving its position in the consortia systems (COMIECO, COREPLA, CORIPET, CONIP, etc.) by progressively increasing the performance of its plants.

Acea Elabori is an operating company in the Acea Group that supplies technical services throughout the three areas of the Group: Water, Energy, Environment. In particular, it provides engineering services – including project design, project validation verification (pursuant to Article 26 of Italian Legislative Decree no. 50/2016) and construction supervision – analytical laboratory services, innovation research and specialist consultancy in the water cycle, waste cycle and energy sectors. Currently these activities are provided almost exclusively to other companies in the Acea Group (“captive market”) and only in a residual manner to third parties (“non-captive market”).

Related to the energy efficiency market, the Budget Law 2023 reshaped the deduction rate from 110% to 90% for all expenses incurred in 2023. This has been compounded by critical operational (labour), supply (material procurement) and tax credit management issues, which are reducing project development opportunities.

Therefore, the regulatory framework and market scenario suggest suspending activities in the building redevelopment sector at least until favourable conditions for business development materialise again.

BUSINESS PARTNERS, INSTITUTIONAL PARTNERS AND MEMBERSHIP BODIES

For Acea, collaborations, partnerships and business systems represent a crucial driver for the positioning and improvement of the Acea Group in the innovation ecosystem, as well as helping to open new channels offering access to ideas, business and technological opportunities, academic research and new talent.

Acea participates in numerous partnerships and cooperative agreements linked to innovation. In fact, for several years the Group has actively participated in the Italian and international innovation ecosystem, sharing best practices and experiences.

SCIENTIFIC COMMUNITY

In the sphere of collaborations with academia, in line with the guiding principles of the UN 2030 Agenda and the commitments made in its Sustainability and Management Systems Policy, Acea has become a promoter of sustainable industrial growth and protecting and enhancing local areas.

MEDIA AND OPINION MAKERS

Acea protects its relationships with television, print and online media, both national and local, whether for economic, news or sector issues, with an eye to reciprocal respect for roles and cooperation. Relationships with journalists are focussed on timeliness, efficacy and transparency, with the aim of transmitting the proper corporate image and Group position through information.

Acea's commitment to effective communication, in terms of the transparency and quality of the content available on its institutional website, has also been recognised in its placement in sector rankings. Furthermore, Acea received the Fortune Italia Best in Communication 2022 for the effectiveness and quality of its communications through which it communicates the Group's projects and values every day.

Its institutional website and social networks offered visibility for all the Group's activities, highlighting actions to promote sustainability and innovation, and carried out thanks to the quality of its people and the efforts they make in the local areas on a daily basis.

REPRESENTING NEW GENERATIONS AND CITIZENS

In 2022 Acea also continued with projects aimed at new generations in a digital guise and confirmed its support for institutions and events so as to strengthen its relationship with the local area.